THE OUTLOOK

The Limited Supply of Liquid Capital—What a Prominent Banker Thinks of the Situation—Total Bank Loans Expanded to "Incredible Sum"—Conditions Demand Caution and Conservatism in Investment Operations

THE limited supply of liquid capital—or, in more popular language, high money rates—continues the outstanding feature of the situation. Our average of the yields of ten high-grade railroad bonds is now 6%, which is the highest since 1878. This means that it is the highest that has ever prevailed since American corporation bonds reached a sound and stabilized position. The commercial paper rate is at a new high rate of 7 to 7¼%, and time money at New York is 8½ to 9%. The sharp rally in the stock market is chiefly due to the fact that it had become oversold, and is not likely to prove permanent.

* * *

VIEWS OF BANKERS

THE following is a condensation of a private report prepared by an official of a leading New York bank for the guidance of the bank and its correspondents. The original wording is retained for the most part:

"1. Industrial corporations and railways are confronted with the choice of paying 7 to 9% for loans or going without them. The Penna. R. R. has recently paid 7½% for money and the N. Y. Central about the same. We see no visible evidence of 'easy money' for a considerable time to come, in view of the insatiable demands for loanable funds, both for domestic and foreign use. There is increasing evidence that the monetary strain is becoming greater, not only in our country, but in England and France as well.

"2. The Japanese crisis should prove a warning to us. Owing to speculative inflation in that country, it was changed, during the first three months of this year, from a creditor nation to a debtor, with an unfavorable balance of trade of $130,000,000. We are today producing goods at the highest cost in our history, and labor was never so inefficient. Our labor situation will shortly be pitted against foreign labor conditions. Is it not logical that our high-priced products will find a restricted foreign market, resulting, later on, in a readjustment of the labor situation here to the advantage of the employer?

"3. The pending Presidential election is stimulating such baits for votes as soldier bonuses, inflation measures, etc., tending to still further complicate a financial and economic situation already sufficiently distressing.

"4. Evidence is not lacking that production in some of our basic industries (notably iron and steel) is overtaking consumption. It may be that one of the premonitory signals of approaching 'deflation' is the recent fall of a billion dollars in the country's bank deposits. Ordinarily bank deposits move up and down with industrial and mercantile loans. A fall in such loans and such deposits would forecast a slackening of activity in industry and business which previously required these funds.

"5. Two or three genuinely constructive measures have been recently adopted, as evidenced by the Supreme Court decision on stock dividends and another decision permitting railways to be valued on the basis of current prices. Much, however, is left to be desired in the attitude of labor; the profligate waste of public funds, and burdensome and increasing taxation.

"6. We believe this is a time for the cultivation of a large measure of conservatism, when the limelight should be focussed on the return of the capital invested unimpaired, rather than upon immediate or prospective profits. There are too many interrogation points on every side to justify the assuming of any risk just now. This is a time for firm convictions and sane business methods."

To the above excellent summary we may add that the Federal Board estimates, for the year ended February 28, an expansion of the total loans of all banks in the country of about $5,200,000,000, or about 25%—"a sum that might well have been considered incredible if it had been predicted a year ago."

SEND A PROTEST TO YOUR CONGRESSMAN AND SENATOR

The Ways and Means Committee Bill in the House proposes a tax on stock sales which would equal the commissions charged by brokers on such transactions. To the present ordinary commission of $15 on 100 shares of stock, plus the N. Y. State and Federal Stamp taxes of $2 each, it is proposed to add a tax of $15. If this should be adopted, the expense involved in selling 100 shares of stock would be $34.

Such a tax would be a serious injustice to every investor, would divert most of the business of the New York Stock Exchange to Montreal or London, and would rob many securities of the ready market they now enjoy.

We recommend that you write your Congressman and Senator protesting against this tax.

* * *

EXPORT FINANCE

ONE cause of the stringency that has been little emphasized is the tying up of short-term credits in export trade. For nine months ended with March our merchandise exports reached the gigantic total of $6,050,000,000. A large part of this business was handled on short-term credit furnished by individual American exporters, many of whom hoped for later assistance from the Govern-

ment or from corporations formed under the Edge Bill. This relief has not been forthcoming and exporters have had to fall back upon the commercial paper market, upon the pledging of their Government bonds or Treasury certificates, or in some cases upon the outright sale of these bonds. In other cases they have had to issue their own notes and bonds, at an average interest cost to them of perhaps 8%, and several hundred millions of such issues have been put out.

Another factor in this connection is that our only source of new capital now lies in our own savings. After the Civil War we drew heavily on the accumulated capital of Europe. Today, after Government expenditures (including $10,000,000,000 foreign loans), amounting to almost $60,000,000,000 in the years 1913-20, we not only cannot get help from Europe but Europe is still drawing heavily upon us.

* * *

PROPOSED GOLD BONUS

REPRESENTATIVE McFADDEN'S interesting article and the graph accompanying it bring out very clearly the plight of the gold-mining industry. The subject was uppermost at the Bankers' convention. Although at the present time the permanent interest of the country requires contraction rather than any monetary expansion, we can ill afford to have our gold miners put out of business, because it would take a long time to get them started again—not to emphasize the injustice to them, which perhaps ought to be regarded as one of the unavoidable risks of the business.

The worst feature of the situation lies in the fact that miners are obliged to sell gold for use in the manufactures and arts at the Government's fixed price, which is now less than cost of mining. Yet if a higher price were permitted on gold for commercial purposes it would be difficult to prevent the melting of gold dollars, which would cut down the base of our paper currency.

The true solution of this whole question seems to us to lie in the plan which Professor Fisher has popularized under the term "market-basket dollar," but the practical difficulties in the way of its adoption are great, though not insuperable.

* * *

CONGESTED TRANSPORTATION

IT IS probably not too much to say that the amount of business that can be done in this country at present is fixed by the ability of the railroads to haul it. A long period of rate restriction, with costs of materials and labor doubled, has prevented the expansion of our railroad facilities, and we are now reaping the result. Not only are trackage and equipment insufficient, but constant strikes and the woeful inefficiency of labor in all fields prevent the full use of what facilities we have.

The effect of the tremendous difficulties under which business in general is being handled is to reduce the profits of business men, even though prices continue near their highest point. As these difficulties seem temporary, business men resort to borrowing. With a big demand for goods in sight, they feel warranted in borrowing. But the banks, looking anxiously at their rising loans, feel compelled to refuse accommodation wherever possible.

Such conditions are typical of approaching liquidation. When business cannot borrow, it must contract. And when liquidation once starts, it has an unpleasant way of running its course, even regardless of events which seem temporarily favorable.

We, therefore, repeat the warning so frequently given in these columns during recent months, that business expansion, in spite of the good demand in sight at the moment, is extremely unwise. The business man should "consolidate his position."

* * *

THE MARKET PROSPECT

BUSINESS liquidation tends to release funds for investment in sound securities. It usually takes some little time for this factor to make itself felt, and in the meantime security prices fall. But at present the prices of bonds and the best preferred stocks are already so low that it is doubtful whether the investor should wait for a possible further drop. The safer course is to take advantage of the present bond bargains as fast as funds for the purpose are available. It is highly improbable that the life of the average business man will include another bargain year on a par with 1920.

So far as common stocks and the more speculative preferred stocks are concerned, we consider the present an unfavorable time for investment, with the exception of some railroad issues whose position is such that they are likely to receive special benefit from the great changes now occurring in the railroad world. These are being considered in various special articles in this publication.

It is true that the copper stocks are not high, and important interests show a disposition to accumulate them at times of special weakness. Investors who follow this plan conservatively are likely to get some cheap stocks. Yet it is hardly probable that the coppers would be able to record much advance in the face of a declining tendency in the general market.

We realize that it is difficult for some people to remain inactive, while they see numerous issues advancing, on the ground that they are losing opportunities. But to maintain a neutral position with ample funds on hand is to put oneself in a way to benefit greatly by whatever serious liquidation eventually results from the present highly complicated and threatening situation.

The broad policy of the investor should now be to remain "long" of money and good bonds or preferred stocks. While individual issues among the common stocks will have sharp advances from time to time, it will probably be a difficult matter to select the right stocks and exactly the right time in which to buy them.

Tuesday, May 11, 1920.

TO OUR READERS

The paper shortage has become even more serious than heretofore, principally as a result of the congested conditions in the transportation systems of the country. We have been unable to obtain our usual supply of paper and have, therefore, been compelled to reduce the size of this issue by 16 pages. We shall return to the usual size just as soon as sufficient paper is available for the purpose.

Banking Senators Decide

Spring Conference of Executive Councils of the American Bankers' Association, Held at Pinehurst, North Carolina, Comes Out for Prompt Ratification of a Peace Treaty, and for an Organization to Finance American Foreign Trade

By **FRANCIS J. OPPENHEIMER**

COMING from all points of the United States, three hundred and five councillors, representing the best brains and the various Executive Committees of the American Bankers'

RICHARD S. HAWES,

President of the A. B. A. and Senior Vice-President of the First National Bank of St. Louis, Mo.

Association, and constituting the upper house of the A. B. A., met in Pinehurst, North Carolina, the last week of last month to thrash out the various financial and banking problems, the solution of which is most necessary for the continued prosperity of our country. The findings of their deliberations will be presented back to the open convention to be held next Fall in Washington. One thing can be stated definitely—Capital is not on a strike. Though the voluptuous atmosphere of the South challenged but few minds to undue activity the brisk methods of procedure prosecuted by the Chairman, Richard S. Hawes (First National, St. Louis), permitted no delegate present to assume an academic part in the discussions. These Senators of Finance had gone down South for action and results and their President secured both for them.

Then, too, the controversy over the Gold Bill, which proposes a tax on all gold used for commercial purposes, kept things sizzling even when the Carolina sun forgot to shine. There could be no straddling and no ducking on such an issue. You either were for or against Mr. McFadden who fathered the bill. And, while James S. Alexander, of the National Bank of Commerce, was reporting back to the United States Chamber of Commerce, in session the same week at Atlantic City, the failure of his Committee to evolve any scheme to aid Europe—one whereby American investors could extend comprehensive credits to the prostrate continent—the A. B. A., working through its Committee on Commerce and Marine, put forth a most comprehensive program to save the old world from economic chaos.

Plans were drawn up in these Spring sessions, under the Edge Law, for the maintenance and development of American foreign trade, "as an essential to the country's continued prosperity," for "the proper financing of our foreign trade is a matter for *constructive action.*" The italics are mine. Mr. John McHugh, Chairman of this Committee, informed me, "As bankers we stand ready to co-operate in this important matter by all possible means. In particular, I call your attention to the proposals endorsed by the Executive Council, making for a uniform effort on the part of bankers, manufacturers, exporters, and others in this country in providing for adequate foreign trade financing machinery on a nation-wide basis."

Without any qualifications whatsoever, the A. B. A. came out for a prompt conclusion of a peace treaty, saying in its adopted resolutions, that to delay this grave issue was to perpetuate a crime against all civilization, no matter whether the postponement was due to personal or political considerations. To the end of hastening such action, it appointed a special committee to attend the International Conference in Paris, believing "the future prosperity of the United States and the world, for that matter, depends on a speedy resumption of peace-time conditions."

Economy and a business-like administration were advocated, all to be operated under a daylight budget system. Early appointment was asked of the missing members of the I. C. C., as required under the provisions of the Esch-Cummins bill, so that railway affairs might regain their old momentum. Representing twenty million depositors interested in several billion railroad securities, the A. B. A. is, naturally enough, interested in everything that tends to stabilize rail securities. Our arteries of commerce must be restored to their former good standing in the eyes of creditors before their complete recovery from fiscal influenza can be assured.

These Money Kings also agreed that conditions of inflation, always a grave menace, must be remedied by wise, (shall I say homoepathic), measures, calculated not to dislocate our industrial and financial machinery. Owing to the tremendous demands on banks for credit, the A. B. A. recommended an effective rationing of credit to be applied from the Federal Reserve Banks, through the financial and commercial structure. Care, however, in its opinion, must be taken, not unduly to restrict credit with respect to essentials. Restrictions were urged where funds were advanced for speculative purposes.

A. B. A. declared labor should receive a fair return for services rendered, pointing out in these words that the country was threatened by propaganda that is paralyzing business, "By such tactics, labor in effect strikes at itself." Congress was asked not to be tripped into a political trap by any well-organized minority that might interfere with majority rights; also, for the substitution of a fairly devised sales tax to be paid by the purchaser in place of the present excess profits tax, and profiteering was denounced as an expression of a selfish clique that should be dealt with sternly.

Congress was also urged to sell government-owned merchant vessels to American individuals or corporations on terms which would require only a small

JOHN McHUGH,

Chairman of the Commerce and Marine Committee of the A. B. A. and an outstanding figure because of the constructive value of his important report

initial payment by purchaser, the balance to be carried by the government over a period of years; the sale price to correspond fairly to the value of such vessels in the world markets; that vessels should

be employed as soon as possible on routes considered most advantageous to American commerce. The campaign for food drafts was also approved.

A. B. A., however, opposed a retroactive tax for bonus-paying as unsound in method, recommending that in the event of such legislation, payments be made to soldiers in instalments running over a period of from two to ten years. While these delegates threshed this issue out courageously on its merits as they understood them, the blunderous wording and altogether unnecessary initial phrase of their resolution may bring a heavy freight bill to their doors.

As it had done earlier, or rather last autumn in St. Louis, the A. B. A. protested against the arbitrary methods used by certain Federal Reserve Banks in enforcing par point collections, uttering in the following words a warning of impending results, in its wisdom, sure to follow, unless national resources be conserved. "We are in an orgy of extravagance. Earning and Saving must replace Idling and Spending. The spender today is the loser, the dollar being worth about fifty cents to spend and one hundred to save." It is significant that the day this remark was made at Pinehurst, the Comptroller of the United States Treasury came out with a report that there had been a shrinkage of one billion dollars in the banks of the nation over last year.

In his opening address, before this closed executive council, President Richard S. Hawes said: "The armistice was signed twenty months ago. The war was won by the bravery, energy and intelligence of our boys. But we are confronted with many difficult problems, such as the somewhat chaotic condition in our industrial world, cost of living and prices out of all proportion to income. Credits are inflated, labor dissatisfied, and our foreign trade decreasing because of lack of finance. Calm, careful judgment must be exercised by the bankers of this country not to excite unrest among the people. The present inflation of money and prices should be gradually reduced and a more normal standard established to relieve the strained credits of our banks.

"This is a Presidential election year, and such occasions usually have had a disturbing effect on normal business. The time has come for the banker to cease being timid in the assertion of opinion as to the men and methods to be pursued. Certain classes of our people are demanding that prior to their election, candidates shall pledge themselves to support preferential legislation in behalf of their particular interests. An aggressive minority frequently accomplishes results out of all proportion to its numbers, and the present is particularly a time when the people as a whole should assert themselves. As bankers and citizens we shrink from the idea of directly entering the political arena, but we should demand that the representatives of the people who are elected be bound by no pledge and no promise to any class or kind of citizens—that honest, clear-headed intelligent men should represent the citizens as a whole in an unbiased, fair, just manner."

Cornering this forward-looking young man in the hotel lobby, I secured: "I want the A. B. A. to become one of America's most progressive organizations, always prepared to co-operate with any organized movement that has for its purpose the welfare of the nation. I think this attitude of mine has the endorsement of the twenty-two thousand bankers here represented." This statement was intended as a comment on the fact that the A. B. A. had requested Mr. Hawes to appoint a committee with power to confer with Chambers of Commerce, Boards of Trade, etc., with intent to enlist a more united effort in the formation of a nation-wide foreign trade financing corporation.

Frederick I. Kent, (Bankers' Trust New York), contributed a rather complete survey of European conditions to the conference from Paris, where he is making a first hand investigation, to the effect that unless something is done quickly to correct unsettled conditions "over there," America's foreign trade will be seriously curtailed. Though confidential in tone, this much of the report should become public property, viz.: that the positive tendency on the part of European peoples in the direction of self-rehabilitation must be accompanied by further loans from us for that purpose. And the British Ambassador, Sir Auckland Geddes, the same day this important letter was read, making his first public address in this country before the United States Chamber of Commerce (assembled in Atlantic City), told these industrial leaders that America must help Europe, "as a long range business proposition," or else (listen to the British thunder), the troubles of the old world would "come after you and haunt."

W. B. WEISENBURGER,
Secretary Public Relations, A. B. A. A swell title, but then "Wise's" a swell man

Mr. Kent's survey followed closely upon an admirable comprehensive report read by John McHugh, Chairman of the Commerce and Marine Committee (Mechanics and Metals National, New York), which reflected the findings of a nation-wide investigation made by bankers in every State in the Union, and which declares that a national organization to finance American foreign trade could be brought into existence through proper leadership. That a great formless demand existed for this, requiring only a creative mind to shape it. I wonder if Mr. McHugh was thinking of the same person I was? Confess, "John,"—you're among friends.

"American foreign trade," the report runs, "export and import, in proper relative volume, is a prime essential to a satisfactory and prosperous domestic situation, particularly with regard to labor." Banks, it appears, would back up such a corporation under the Edge law. The report, however, does not recommend the use of bank credit, nor the invasion of the investment market for the project. Good reading all of it, deserving of all the extravagant praise paid "John" McHugh by the President.

The "star bout" of these spring sessions was over the so-called McFadden bill, and Mr. H. N. Lawrie, "Economist," who conducted an able lobby for it in Pinehurst, knows how to "sell" his idea for the American Mining Congress. Though its passage was recommended by the Federal Legislative Committee of the A. B. A. its fate now rests with a new committee that is going out for new information. Some interesting facts about the 1920 gold movement as reported by this committee: In accordance with a statement of the Federal Reserve Board of April 16, the exports of gold from January 1 to March 31, 1920, amounted to $137,889,475, while the imports of gold over the same period amounted to $33,476,133—a net loss to the monetary gold stock of the nation of $104,413,342!

Mr. Verne M. Bovie, superintendent, United States Assay Office of New York, reports the total amount of sales made for the months of January, February and March for gold for consumption in domestic manufactures, $18,813,477, and for export for foreign consumption in manufactures, $1,223,840, making a total of $20,037,317. There are three other offices of the Mint Service which sell gold for manufacturing purposes, the aggregate sales of which, judging from the amounts of past years, would be approximately $1,000,000. For the year, therefore, the sales at the present rate will amount to somewhere between eighty and ninety million dollars. Reports from the producers indicate that the gold production for this year may not exceed twenty-five million dollars, and certainly will not exceed forty million dollars.

R. D. SNEATH,
President Commercial National, Tiffin, Ohio. Spring sessions are all right, and he has nothing against a "family dinner," but—a good Habana is a smoke

Gold is being withdrawn this year from the gold reserve for consumption in the manufactures and the arts *in excess of production* by an amount of from forty to sixty millions!

The apparent object of this bill is to protect our gold reserves from industrial depletion, and it proposes among other things, a tax of ten dollars an ounce on all gold used for other than monetary purposes. Representative Louis T. McFadden, in a "canned" interview I found with my mail, is of the belief that he drew up this bit of legislation, "To meet the urgent request of the A. B. A. that the domestic production of gold be maintained in sufficient volume to satisfy all manufacturing requirements." My own humble impression is that the American Mining Congress is much more interested in the passage of this bill, at this time, though Vice-president John S. Drum (Union Savings Bank and Trust Co., San Francisco), and one of the healthiest heads in the conference, appeared to favor it. And Mr. Drum comes from a "gold" State.

Should this new committee report back to the A. B. A. favorably, its decision will probably force the hand of the Ways and Means Committee, where Congress shoved the bill. I hazard a prediction that these "traveling salesmen" of the American Mining Congress will *eventually* secure the endorsement of the A. B. A. Everything has to give way before such logic, facts and stick-to-it-ness. Jewelry will then go way up, and dentistry, so if you've been delaying a visit to your dentist, act quickly for a pre-McFadden price.

"Everyone is entitled to his guess," Francis H. Sisson, a Vice-President of the Guaranty Trust Co., commenced on this bill, when I pressed for an opinion. "As for myself, I don't think that the McFadden bill is, by any means, the solution

W. S. McCORNICK,
A banking patriarch of Salt Lake City. Pinehurst is "pretty good"—the speeches were "pretty good" and the above libel "pretty good"

of the question." Nor, I may add, do a majority of the members of the A. B. A. at present, though for different reasons. "While the credit demands of the world are increasing, the gold production is decreasing. You've got to scratch deeper than into the earth for an answer to this problem. The real essentials of the world are oil, coal, iron, cotton, etc., *not* gold. I know the old banking superstition. Who knows? We might even be forced to adopt a different system of currency." The war, sure enough, has revolutionized every other institution of civilization. Yet, Mr. Sisson's notion had more the ear-mark of a throw-back to elemental barter, reminding me of Prof. Irving Fisher's dollar being made just a legal term. "It looks as if we've got to get away from gold," Mr. Sisson concluded, "for gold is getting away from us, nor can we narrow the world's growth to a constantly decreasing gold supply. To do this would be to cramp the extension of international credit."

Mr. H. H. McKee, next President of the National Banking Section (National Capital, Washington, D. C.), while not by any means favoring the McFadden bill, holds a different opinion from Mr. Sisson, maintaining that as the creditor nation, debts should be repaid us in gold, otherwise there might be a repudiation by the debtor nations. There must, in

GUY E. BOWERMAN,
General Secretary, A. B. A. Though new on the job, the "Colonel" has long ago established himself in the esteem of his associates in the A. B. A.

his opinion, be free passage of the yellow metal from country to country, if we are to maintain our financial supremacy.

In the minds of many, the agricultural is the most acute problem facing the country. The last census shows, for instance, that while fifty years ago two-thirds of the people lived on farms, it's now the other way about. And desertions to the city are increasing daily! Edwin Markham, where, oh, where, is your *Man with the Hoe?* Certainly he is no longer as you described him, "stunned and stolid, brother to the ox," but more likely to be found somewhere along the Great White Way, all "dolled up" to the nine hundreds.

The attitude of the A. B. A. toward this question is reflected in the comprehensive report of its Agricultural Committee, submitted by the chairman, Joseph Hirsch, who told me "Production, more production, is one of our chief aims, and the country's greatest needs. Nor is the A. B. A. simply shooting an elocutionary arrow into the air. We are operating through a central body, through State and county committees for the benefit of communities.

"Today we only have 70% of the farm labor we had before the war. The solution, as this Agricultural Committee sees it, is more produce per acre, more pounds per hoof. In other words, intelligent cultivation and breeding. This committee is

GEORGE E. ALLEN,
Librarian, A. B. A. "Uncle George" can smile, as when, for instance, he has to exert himself and teach up for a book for some enterprising Jap student

working in co-operation with the Secretary of Agriculture, whose representative, Dr. H. C. Taylor, head of Farm Management Bureau, addressed us." Dr. Taylor recommended at this meeting, which I attended, that a cost accounting system be adopted by farmers so that they would know where they got "off at," and also, so they would have good collateral to satisfy their local banks.

One of the first appeals made by Secretary Meredith was to the bankers of the nation, urging them to get behind the producing class.

Have they?

The A. B. A. has already established a banker-farmer's "exchange" in Wisconsin, and the Agricultural State College of Texas has just completed a conference between bankers, educators and farmers, the echoes of which are still, or noisely, ringing in many counting houses and every rural homestead of the land.

Don't gather from all this meaty, almost telegraphic information that these banking Senators are without a sense of humor, or that they didn't enjoy themselves among the Carolina pines. There was considerable play, and lots of humor, much of it, too, unconscious, as when "Fred" Collins, a vice-president of a trust company, complained solemnly about the price he had to pay for a shirt, and at Pinehurst! Then, too, at the local race track, the starter gravely promised these money kings that if they came back for the November "meet," he would promise them six leaps over the hurdles. Honest!

But the best fun of these spring sessions was afforded by the heavyweight comedy champs of the A. B. A. "Gentlemen, in this corner we have 'Billy' Knox (Bowery Savings Bank), and over there 'Fred' Collins, Memphis Tenn., sah." It was a finish fight between the North and the South. But never had opponents such

(*Continued on page* 56)

Germany in Need of Raw Materials

Co-operation Between American Producers and German Bankers Might Be to the Advantage of Both Countries

By **BERNHARD HOLZ, Leipsic, Germany**

SINCE the war began, an enormous increase has been registered in Germany's national obligations. The often discussed question of a radical reorganization of the entire financial structure of the erstwhile Empire by a declared repudiation of the entire current debt, seems to be having no real foundation. There is no doubt that such a step could not insure permanent relief.

Whatever would be saved in the way of interest payable on Germany's loans, would have to be employed continually for purposes of aiding the German population, since all the war loans are almost exclusively in the hands of savings banks, mutual aid societies, insurance associations, trust companies and the large class of small investors. Since all of these institutions serve the general public welfare, the government would be obliged—in case interest on the bonds were defaulted—to take over the obligations of these exceptionally useful organizations, in addition to its own numerous burdens. Moreover, as the majority of the country's floating debts have been advanced by the large banking houses, one need not give a detailed account of what the ruin of these banks would mean to the future economic and financial development of Germany.

The pronounced depreciation has in a way the same effect as an essential decrease in the country's loans. Let us assume that the entire government debt were distributed among the individual citizens, and that, one carpenter's quota, for instance, were placed at about 10,000 marks. Suppose this carpenter produces desks. If one desk were selling at, say, 100 marks, this carpenter would be obliged to furnish 100 desks to cover his obligation of 10,000 marks. But if the price of one desk were 500 marks the carpenter would have to furnish only 20 desks. Since the payment of interest on loans can be based only upon concrete articles, the considerable advance in prices represents an actual decrease of all those debts which were contracted at a time when the prices were much lower. Of course, new and unproductive loans must not be negotiated, or else these advantages will be of no benefit.

I do not know what position the German government will take. It seems, however, that the German Ministry of Finance is holding a similar view since all government officials and state employees are receiving relatively higher salaries than employees and laborers in private industries. Hitherto it was just the reverse, and the high salaries and wages caused, in turn, further advance in prices, but enabled the working man, at the same time, to spend more for the necessaries of life. It must also be borne in mind that the government earnestly desires to meet current expenditures by income taxes, and to retire, if possible, a part of its floating debt by taxes on property.

GERMANY'S PRINCIPAL SEA PORT

The reason the city of Hamburg has outdistanced other cities in Germany in commercial growth is due to the fact that this is the chief distribution point for Central Europe

Thus, it seems that internal economic conditions in Germany do not offer an entirely unfavorable basis for economic participation by foreign banking and financial institutions. In connection with this, one must also bear in mind that the various German industries taken as a whole, enjoyed very prosperous years throughout the entire period of the war. At present, they have an unusually large working capital and liquid assets readily convertible into cash; but this will probably change, as soon as the new tax laws become effective. Some of the largest industrial corporations are not working at full capacity, and will need much larger amounts for raw materials and wages than they did in former times of peace, although the output may remain unchanged, since a considerable part of their working capital will be increased by the proposed taxation. For this reason, almost all corporations are undergoing marked increases in capitalization, in many cases, of as much as 100%. To strengthen the financial and physical position of these companies, foreign capital does not, therefore, seem to be needed so urgently. But almost indispensable appears the need of foreign capital for the purpose of acquiring such raw materials as Germany is obliged to import.

Right here is the point which makes possible and warrants the entrance of foreign capital into the German industrial field on a sound and wholesome basis. As far as American banking institutions are concerned, the question of exporting American raw materials, such as cotton, metals (copper), oil, hides, etc., is of primary importance. Of course, it may not be very convenient or even possible for them to get in direct contact with the respective industrial corporations, although this might be possible in the case of the leading German companies. It would, therefore, seem reasonable for the American institutions to get in touch with established German banks, which would no doubt facilitate financing transactions, to the advantage of both parties concerned. To accomplish this end, it would perhaps be most convenient to organize a Credit & Commerce Syndicate, composed of foreign banking and financial institutions, and also export and import houses; a certain amount of the capital will have to be employed for the purpose of creating manufacturing credits and commercial enterprises in Germany, probably through the medium of a company to be established for that purpose, and connected closely with a German banking house. The primary duties of that company will consist first in taking up relations with such industrial organizations as depend on non-German raw materials and produce goods for which there is great demand abroad, and secondly, by securing for the exporters who belong to the syndicate, a supply of manufactured articles on the basis of granted credit or outright purchase.

Such steps will doubtless bring about an appreciable improvement in Germany's economic situation which is largely due to the existing difficulties in obtaining sufficient raw materials because of the enormous decline of the purchasing power of the mark abroad.

Czecho-Slovakia's Growing Importance

Increasing Demand for Foreign Securities Necessitates Close Knowledge of Foreign Countries —Czecho-Slovakia's Early Solidarity—Natural Wealth Warrants Safety of Investment of Foreign Capital

By **MAX WINKLER, Ph. D.**

AMERICAN capital will soon be called upon to invest in a country which, thanks to its history and traditions, its natural wealth and resources, and the initiative and aggressiveness of its people, contains great possibilities. I refer to the new Republic of Czecho-Slovakia.

Situated in the heart of the European continent, in the extreme northwestern corner of what constituted the former Austro-Hungarian Monarchy, the Republic of Czecho-Slovakia comprises within its boundaries the ancient kingdom of Bohemia or as called in the native tongue Chechy, the Margravate 'of Moravia, Slovakia, and a small strip of land inhabited by Pod-Carpathian Russians which, with Slovakia, formed a part of the erstwhile Hungarian Kingdom. It covers an area of more than 50,000 square miles and has a population of about 14,000,000, consisting mainly of Czechs, Germans and Magyars (Hungarians). Originally inhabited by Germanic tribes, Czech settlers took possession of the country as early as the 6th century. Their influence and power grew from year to year, and in the 9th century they established, in conjunction with many neighboring Slavonic tribes an independent commonwealth — the Makro-Moravian Empire with Praha (Prague) as its capital. Owing to internal disturbances, the latter was shortlived and the country came once more under German suzerainity. A period of prosperity soon set in. Bohemian goods were much desired throughout Europe and Asia; Bohemian merchants could be seen in the foremost European markets, from Antwerp to Naples, from Paris to Moscow, from Hamburg to Constantinople. The university of Prague became one of the leading centers of learning in Europe. The Thirty Years' War (1618-1648) brought about a sad end to this happy era. But thanks to the richness of the country and the spirit of the nation, the rehabilitation and recultivation of devastated areas was quickly accomplished. There is every reason to believe that a similarly speedy recovery will take place now, and that Czecho-Slovakia will soon be one of the influential nations of Central Europe.

Great Natural Resources

Since most Americans do not know how rich or how fertile the new republic is, a detailed description is in order. As to value of mined products, the country was the richest of the former Austrian Monarchy and one of the richest in the world. Of a total value of Austria's mining products in 1910, amounting to over 300,000,000 crowns, 75% was derived from Czecho-Slovakia. Precious metals produced in large quantities during the Middle Ages are no longer of any importance: for America is producing them in such large amounts that the entire European production with exception of that in the Ural Mountains, has ceased to be of any significance. Near Pribram-Birkenberg there still are mined about 300,000 lbs. of silver; and about 35,000 metric tons of lead near Mies. Of far greater importance is the production of iron, about 800,000 quintals annually, confined almost exclusively to the region between Prague and Pilsen. The large amount of iron produced has led to the establishment of important equipment corporations and companies, especially at Witkowitz and Maehrisch-Ostrau. Among other metals produced in large volume are tin, uranium, zinc, manganese, aluminum and radium.

CASTLE AT HLUBOKA IN BOHEMIA

A striking instance of the many highly valuable Czecho-Slovak real estate properties which ought to tempt American capital

Of the greatest importance, however, for the development of the country's industry are the unusually rich coal fields. More than 80% of the entire production of hard coal in the former Austrian Empire, amounting to more than 140,000,000 quintals annually, comes from Czecho-Slovakia; and about 82.5% of Austria's total soft coal production is mined within the present confines of Czecho-Slovakia. The principal soft coal fields are Bruex-Komotau-Teplitz and the Falkenau. In Falkenau 95% of all the coal briquets used in Austria were produced. The output of these fields is brown coal, or lignite.

Southern Bohemia produces graphite, about 20,000 metric tons annually; porcelain and cement are manufactured near Carlsbad.

Site of Many Famous Resorts

The richness of the Eger Valley in mineral waters has led to the establishment of many internationally famous resorts, including Carlsbad, Giesshuebl, Crondorf, Marienbad, Franzensbad and Teplitz. The stream of tourists is steadily growing and is a very important factor in the country's annual revenues.

Industrially, the country has always played an important role. About 85% of the manufacturing industries of former Austria are located there. It is therefore obvious that of all the countries carved out of the Austro-Hungarian Empire, the needs for raw material are far greater in Czecho-Slovakia than in any of the others.

The Industries of Czecho-Slovakia

Among the most important industries are beer brewing, spread throughout the republic, especially around Pilsen with an annual production of nearly 52,000,000 gallons; the sugar industry is confined chiefly to the region around Kolin, Chrudim and Koeniggraetz; hide and leather, timber, tobacco, and paper industries are of equal importance. The cotton and textile industries, prominent since the 19th century are centered around Reichenberg and Bruenn (Brno); the chemical industry near Aussig; the glass industry, known throughout the world, near the Bohemian Forest and near Krasna in Moravia. Imitation jewels and notions are manufactured in huge quantities mainly in North Bohemia, and find a ready market in India, Africa and South America.

If one bears also in mind that the country for the first half of 1919 had a favorable trade balance of over 200,000,000 crowns, he will have no doubt as to the

(*Continued on page* 38)

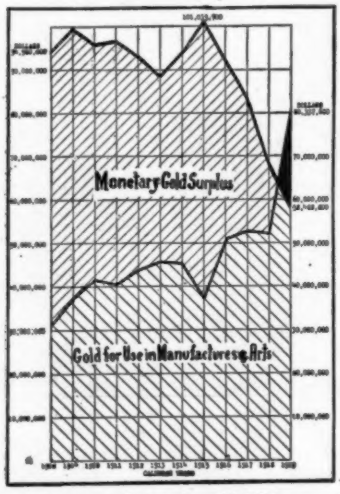
Why a Premium for Gold Producers?

The Sharp Reaction in Gold Production in the United States—What the McFadden Bill Proposes—The Future of Gold Mining

***By Representative* LOUIS T. McFADDEN, of Pennsylvania**

THE production of gold has been seriously hampered by the oppressive conditions the war has visited upon gold mining, including the great advance in wages and the high rise in the cost of materials used in production. Conditions have become so onerous and dangerous in their effect as to have aroused the attention of the bankers of the country, and in response to requests, a measure has been introduced by me in Congress to protect the gold reserve of the United States from industrial depletion by imposing a tax upon all gold used for other than monetary purposes and by the payment of a premium to the producers of newly mined gold.

Gold Production of the United States and Gold Consumed in Manufactures and the Arts Calendar Years 1908-1919



1919 Production Fails to Equal Gold Consumed in Manufactures and the Arts by $21,848,800

Many proposals have been made and analyzed since the American Bankers' Convention in October of last year formulated a resolution of inquiry how best the situation might be met, but none has been offered that would not disturb the monetary system of the country save the measure I have introduced. It seems to meet conditions from all corners, is simple and is not costly. It provides for the immediate imposing of an excise tax of 50 cents per pennyweight ($10 an ounce), to be collected on the sale of all articles containing gold, or gold used for other than monetary purposes, thereby creating a fund from which the gold producer is to receive $10 for every ounce of gold produced. It is obvious that the proposal if made law can in no wise influence the monetary status of the metal, as it is a transaction confined to the sale of gold as a commodity only. By the law the jewelers and other consumers of gold will be able to obtain all the gold that they will require at the usual monetary price of $20.67 an ounce. It is a tax collected only upon the manufactured article as sold and not upon bullion. A free market for gold is still assured in the United States.

The value of the gold production in the United States declined from $101,000,000 in 1915 to $58,000,000 in 1919, a loss of 42% in four years. In other words, no less than 42% of the capital invested in the gold mining industry has already been made unremunerative by the forced closing of mining properties. These as a consequence suffer great depreciation and other losses are incurred to say nothing of the great cost involved in reopening them if ever they can be reopened at all. And the more this closing down is prolonged and stimulation of the gold industry deferred, the greater will be the reduction in the output of gold at the mines, meaning a heavier drain on the monetary gold reserve. Manufacturers are consuming as much and even more gold in the arts than they were, as was seen last year when $80,337,600 worth of the metal was used or $21,848,000 more than was produced in the United States, indicating recourse to the melting of gold coin, a very disturbing factor indeed.

Some proposals would prohibit the sale of gold to the manufacturers, but a premium market would thus be created for the metal, the hoarders and holders of gold would profit and the premium would not in the least assist in the production of more gold. By the proposed tax on the finished product an incentive will be taken away from the consumer of gold in the arts to hoard the metal in advance of the passage of the measure, for it will make no difference whence gold is obtained. The stopping of the sale of gold to the trade would also encourage the excessive destruction of gold coin. There is no law to prohibit this, although the currency system is injured by its practice.

The plan urged by me has erroneously been called a "subsidy." It is a clear premium. If a subsidy at all exists it is now effected by the government in behalf of consumers of gold in manufactures and arts. The wholesale index number for 1919 for all commodities was 212 compared with 100 in 1914, which indicates that if gold had increased in price in conformity with all other commodities in the United States the gold producers in the United States would have received $65,500,000 for his product, or 112% more than they did, which was $58,500,000. To state it in other words, the value of gold fixed by congress for many years at $20.67 an ounce, meeting the cost of production then obtaining, is today in buying price worth only $9 an ounce. The consumer is getting the benefit of this reduction in the value of gold stated in terms of commodity prices. He is getting the subsidy; the miner is meeting the losses. The excise tax proposed would tend to lessen this subsidy to the manufacturers who use gold. The excise of $10 is the equivalent of an increase of only 50% in the price of the metal contained in manufactured articles. This is not much when the rise in the price of other commodities of 112% is considered. The tax offsets only 45% of the subsidy now in force to the manufacturer, which because of the fact that the government sells gold to the trades at the original monetary price must be and is being met by the producer. In effect, the measure proposed creates the government machinery by which the consumer of gold in the trade pays more nearly the cost of production for his raw material.

The treasury officials have, I think, taken a premature stand in their opposition to what is proposed. Secretary Houston has written to the chairman of the Ways and Means committee of the House of Representatives that he is averse to the proposed excise tax because it is a "subsidy" to which the treasury, as he says, is ever opposed. He bases his opinion largely upon the report made by a committee, at the head of which was Mr. Albert Strauss, which opposed any stimulation in the production of gold, saying that the checking in the production had been occasioned by war causes, which would disappear as the war receded further and further into history. What was wrong, the high prices and the high wages, would cure itself.

It is true that the great war is vanishing into the past, but for all that, high prices in the cost of materials and high

(*Continued on page 28*)

IMPORTANT GOLD FACTS, AS PRESENTED BY THE AMERICAN MINING CONGRESS.

Total U. S. gold stock December 31, 1919	$2,787,714,080
Decline in U. S. gold stock calendar year 1919 ....9.5%—	292,796,000
Loss of gold by excess exportation, calendar year 1919	291,610,500
Loss of gold by excess exportation, January 1 to March 31, 1920	104,413,342
Bureau of Labor Statistics wholesale price index numbers 1913 equal 100; Oct., 1919, equal 223.	
Purchasing power of gold ounce at fixed monetary price of $20.67 was only $9.00 in October, 1919.	
Premium of $10 per ounce of new gold would further compensate for loss of purchasing power.	
World's gold production 1915 ....$469,000,000; 1919 (estimated),	$350,000,000
World's gold production decline 1915-1919	$119,000,000 or 25.4%
U. S. gold production 1915 ....$101,000,000; 1919,	$58,500,000
U. S. gold production decline 1915-1919	$42,500,000 or 42.1%
Average increased cost of gold-mining supplies in June, 1918, over pre-war costs	85%
Total gold sold and coin destroyed for use in manufactures and the arts, 1919	$80,337,600
1919 production fails to equal gold consumed in manufactures and the arts by	21,848,800
U. S. gold production, 1920 (estimated)	40,000,000
Estimated failure of gold production to meet 1920 requirements of manufactures and the arts.	40,000,000

The Chicago Board of Trade

Why Popular Ideas About It Are Incorrect—What the Exchange Does—Elevators and the Cash Grain Trade

By **E. S. ROLLINS**

THE casual visitor to the Chicago Board of Trade, seeing from 250 to 300 noisy and sometimes frantic men in the pit, gesticulating and shrieking at one another, and noting the dozens of hurrying messengers and telephone clerks and telegraph operators, and, furthermore, observing the intense interest that hundreds of men have in the blackboard quotations that are rapidly being posted here and in brokers' offices—seeing all this, the visitor perhaps at once concludes that the whole affair is a game. Doubtless, too, his mind was prepared for just such a conclusion, for this is the attitude of mind of many persons who have never taken the trouble even to think whether there may not be two sides to the matter.

Yet this opinion of the Board of the Board of Trade is not strange; in fact, it is difficult for a person outside of the grain trade not to be prejudiced, because for years sensational stories, newspaper articles of "corners," and accounts of fortunes made and lost on the Board of Trade have been published. Furthermore, the Board of Trade and other grain exchanges have from time to time been attacked by politicians posing as the farmer's friend; and their statements have remained unanswered, publicly. The public has never been given both sides of the story nor shown the important position the grain exchange occupies in the business world.

What Hoover Said

"The Chicago Board of Trade is the most economical agency in the world for the distribution of foodstuffs."

This statement was made by Herbert Hoover before a committee of Congress. Mr. Hoover, as Food Administrator, has for several years devoted his entire time and his unusual ability and energy to the study of crop distribution. His work during the war was to spread the wheat crop of the United States evenly over this and the allied countries of Europe; and so successfully was it done that vast armies were provisioned and millions of civilians were actually saved from starvation.

In the light of such a statement as that quoted, coming from a man whose work of crop distribution was the greatest ever undertaken by any one man, criticisms of the Board of Trade such as are frequently heard seem superficial. Yet they have an effect, for they warp public opinion, because the public does not hear the other side.

It may be said that most of the criticisms are based upon either prejudice or lack of understanding of the Board of Trade. It has long been apparent that the public, and particularly the agricultural part of the general public, does not know what the Board of Trade really stands for, nor the part that its members play in making a ready market at all times for the farmer's grain and in distributing it to the manufacturing centres or for export.

The Exchange Itself Does No Business

What is the Board of Trade, and what does it do? The Board of Trade, which is an incorporated association, is not a business institution. It does nothing for profit, nor does it either buy or sell grain. The association makes and enforces trade rules for the members, and provides a place of business for them, namely, the Board of Trade building, with an exchange or trading-room called "the floor," with telephone and telegraph facilities. In addition, the Board of Trade collects and disseminates a large amount of trade and crop news and statistical information, gathered from all markets and grain growing countries. Thousands of dollars are annually spent in this work.

This, in brief, is what the Board of Trade as an association is and does. But in the sense in which it is commonly understood, the Board of Trade is vastly different; that is, the activities of the members. For convenience, and to prevent misunderstanding in the matter that follows, the common understanding of the term "Board of Trade" and "grain exchanges" will be adopted, rather than to make the technical distinction between the association, which does little beyond making and enforcing rules, and the activities of the individual members.

THE HOME OF THE CHICAGO BOARD OF TRADE

An organization established for making a market for the grain crops of the country and called by Herbert Hoover the most economical agency in the world

Cash Grain Business the Foundation of the Exchange

The foundation of the Board of Trade, and of every other grain exchange, is the "cash" grain business. This is a positive statement. The true function of the Board of Trade is to "make a market" for the grain crops of the country—a market so broad that any quantity of grain, either "cash" or futures, can be sold at any time; and, in addition, to distribute the grain crops from producer to manufacturer at a minimum cost. This the Board of Trade and the other grain exchanges do.

The term "cash" wheat (or other grain) means the actual grain—"spot" grain or car lots—which is sold by sample on the exchange floor. "Futures" means grain contracts made in the pit—a sale and a purchase of a specified amount to be delivered next month or at some other future month at a certain price. The day of the month is not stated; the day of delivery is at the seller's option. The delivery months for which most of the future business is transacted are September, December, May and July.

Terminal Elevators and Future Trading Benefit Grower

The elevator storage capacity for grain in Chicago is the greatest in the world. There are 67 elevators, and the total capacity is 57,000,000 bushels. This includes the huge public storage elevators, the storage bins of the "industries," i. e., corn and oats products manufacturers; those of flour mills and of grain shippers.

In these great elevators and those at other grain exchange centers, the temporary surplus of the crops, when the grain is marketed in excess of immediate requirements for consumption or export, is stored until needed.

If it were not for future trading, the great storage elevators would never have been built; for without future trading, no company would buy a large stock of grain unless the price were at a very low level. But greater elevators would never have

been built for that purpose. The United States and Canada are the only countries having terminal elevators with great storage capacity; and these countries are the only ones having a system of future trading and markets where hedging sales are made. Also, these two countries are the only ones in the world in which the grower is in close touch with the markets and may know every day what the market price is, and, therefore, approximately what he should receive for his grain at the nearest country station.

Photo by Robt. H. Moulton.

IN THE WHEAT PIT

Despite the noise and excitement of the traders on the floor, an enormous amount of business is transacted in the foodstuffs of the nation

The United States and Canada lead the world in grain market facilities, and the growers are correspondingly benefited. This advanced position in moving the crops, and the relatively high prices paid to the farmer for his grain, is directly due to the system of future trading and its offshoot, the terminal elevators, both of which were developed by the Board of Trade.

With the future market in which to place hedges, the terminal elevator companies buy grain and fill their storage tanks during the heavy crop movement; and as the grain is purchased, they make hedging sales in the pit. That is, they sell contracts for the delivery of certain amounts of grain in some future month.

Then, whether the price goes up or down, they neither lose nor gain by the fluctuations.

Without future trading and the great terminal elevators, the grain supplies above immediate requirements—the temporary surplus—when the crop movement is heavy, would be peddled about until the price became attractive to persons who would take speculative chances and buy it. This would probably be the importers of Great Britain, who are the best "waiters" in the world, when they see a burdensome surplus in any country. The result would be that the importers of Great Britain would get our grain surplus at rock-bottom prices, just as for years they have taken the surplus of Russia and Argentina.

Photo by Robt. H. Moulton.

THE "CASH" GRAIN DEPARTMENT

Dealing in "cash" or "spot" grain is the foundation of the Board of Trade, and grain in car lots is sold by the samples shown on the tables

Chicago Annually Receives 300,000,000 Bushels of Grain

Before examining the futures market in detail and describing hedging sales and purchases, let us first glance at the "cash" grain market of the Board of Trade.

I have said that the "cash" grain business is the foundation of the Chicago Board of Trade. Chicago annually receives, following normal crop seasons, approximately 300,000,000 bushels of grain.

Where does all this grain come from? it may be asked; and by whom is it shipped? Chicago draws grain from a vast territory, notwithstanding that other markets, to the northwest, the west and the southwest, cut up the territory and retain a large part of the moving crops. Chicago draws grain from Minnesota and the Dakotas, notwithstanding the Minneapolis and Duluth markets; from Wisconsin, although there is a market at Milwaukee; from Illinois, Missouri, Iowa, Nebraska, Kansas, Oklahoma, yet there are active grain exchanges at Peoria, St. Louis, Kansas City and Omaha, in that territory, and to the east at Indianapolis, Toledo and Buffalo, and important markets at the seaboard.

Chicago is the great central market, however, and the Board of Trade is the chief distributor and reflector of price-making conditions.

While some grain is received from other markets, most of the receipts come from independent grain buyers and elevator owners in the states mentioned. Unlike the markets at Minneapolis and Duluth, which are largely supplied by "line" elevator companies (companies having headquarters in those cities and owning "lines" of country elevators at from 20 to over 100 country stations each) unlike those two markets, Chicago receives most of its grain from individual dealers in the towns of the states mentioned, who, of course, buy directly of the farmers.

Competition Between Grain Exchanges

Now the country dealer does not blindly ship his grain to Chicago, nor anywhere else. He ships to the market that he thinks will pay him best. Every morning he has the previous day's quotations of several markets, so that, with freight added, he knows approximately which market is likely to net him the best price. When there is no appreciable difference, the choice becomes merely a matter of preference, with the personal equation a factor, and services previously rendered by some commission house a consideration.

All markets are constantly soliciting the business of country dealers. This means competition, the keenest kind of competition, not only between the several markets, but also between the commission firms in each market.

Two plans are followed by country buyers in selling to the Chicago markets. One is to sell the grain outright, for shipment when cars can be obtained, or in 30, 60, or even, 90 days, according to the requirements of the receiver.

The other plan, and one that has steadily grown in favor during the last few years, is to "consign" the grain. That is, to ship it to some commission house to be sold on arrival.

Business Growing Steadily on Pacific Coast

Stock Breeding, Wool and Reclamation of Arid Lands Among Activities Centering in City of Portland

By **R. D. BRIGHAM, Anglo-California Trust Co.**

IT IS only by a considerable period of time that conditions of progress in any community can be judged. Going back to 1909 we find that great hopes were aroused by the anticipated completion of the Panama Canal. It was freely predicted that an entire change would come over the Pacific Coast when ships were going through the canal, and that lumber and other products would be transported at a rate probably not exceeding $10 a ton. There was a considerable movement through the canal on its completion, but unexpected obstructions, which it took time to remove, caused almost a complete cessation of traffic. Then the war came on and the movement practically ceased. Since the ending of the war shipping has been so abnormal that as yet the Pacific Coast has not tested the benefit the canal will be to it.

Ten years ago we were just at the height of a great real estate movement. In some sections it had already commenced to die out, but the period of 1910 to 1915 was one of inactivity, with values only nominally established in city property, and even in farm lands very little movement. This turned the attention of the people to producing, and it would seem that this period, if we look at it fairly, has been the most constructive one in our history. Production has been the aim, and the results achieved have been very great if one will analyze them. Take for instance, fruit and berry growing. The wealth from this industry has increased many fold. Marketing processes have been improved, canneries have been established for using up material that formerly went to waste. Cold storage plants have been established for holding these products—in fact, the whole process of marketing, while not as efficient as it should be, has been wonderfully improved in the past decade.

Improvements in Stock Breeding

All over this territory the raising of livestock, with better breeds, is gradually going forward. A great livestock center has been established at Portland. The Pacific International Livestock Exposition, which held its annual exhibit in the greatest building west of Chicago, was conceded by all who saw it last Fall to have had an educational value beyond measure in showing what progress has been made in the improvement of livestock in this territory.

Portland is an important factor in the wool trade and at the present time is the second territory wool market in the United States. Five years ago little or no wool was handled here, except that used by the local mills. The clip of the States of Oregon, Washington and Idaho was bought by dealers and shipped directly to Atlantic seaboard; but in 1915 consignment warehouses were established where the wool could be assembled, properly graded and prepared for market and owners obtain reasonable advances on their wool until sold.

The growers soon realized the advantage of this system of marketing and it is estimated that from fifteen to twenty million pounds will be handled here this season.

New lands are constantly coming under cultivation. Irrigation in the arid sections has been taken up by the three States in a practical way, and thousands of acres of land have come under cultivation in the past ten years.

Good roads have come to be looked upon with favor by all classes of our people. Ten years ago this was not so. Today Oregon, Washington and Idaho have the most comprehensive road plan in any part of the United States. Hard-surface roads are being built that will be permanent. In Oregon a plan has been worked out whereby the automobile itself will pay for the roads; this by increasing the license fee and putting a tax of one cent a gallon on gasoline—all to be put into a fund not only to pay the interest on the bonds, but to retire the bonds as well. The value of building of these roads is beyond estimate, as it means the return to the country of an intelligent class that is so badly needed.

Statistics are hard to obtain as a guide to the progress that has been made, but the bank deposits of the three States of Oregon, Washington and Idaho in 1909 were $310,245,720 and in 1919 $877,000,000. It is estimated that the value of the agricultural products in 1909 was $262,325,629 and in 1919 $882,345,035. The lumber output of the three States in 1909 was $76,884,000 and in 1919 $201,238,900. The value of the exports in the combined ports of Puget Sound, Portland and the Columbia River in 1909 was $35,500,705, and in 1919 was $336,732,572; and of the imports $29,437,354 in 1909 and $199,070,743 in 1919; Puget Sound furnishing the larger part of these exports and imports.

The deepening of the Columbia River has been one of the greatest projects ever inaugurated in the West. From a channel across the bar of narrow width many years ago, of probably 17 to 18 feet, there has now been constructed a permanent channel 4,000 feet wide that at low tide, according to Government reports, exceeds 40 feet. At Astoria have been constructed splendid docks and elevators. At Portland there have been constructed in the past few years, and only partially completed, a comprehensive system of grain elevators, warehouses and docks. Great harbor improvements are contemplated for Portland harbor in the very near future.

Trans-Pacific Shipping Recovering

Owing to the war shipping was almost swept from the Pacific Ocean. At the present time it is coming back. From the Columbia River in 1919 there were shipped 371 cargoes of lumber, and to China and the Far East 99 cargoes. During the war period education in shipping lines proceeded very rapidly. People now think in terms of ocean shipping as they did not before. It would seem that this mental attitude alone would tend to provide adequate shipping facilities under the American flag which we have not had in 50 years. The development of the Far East, China and Japan and the whole Orient will undoubtedly produce a commerce to Pacific ports that today is undreamed of. The countries bordering on the Pacific Ocean, which might be termed the "Pacific Water Countries," are today the most solvent countries in the world. Europe and the Old World have such staggering indebtedness that the best financiers cannot find a way to pay; but the countries bordering on the Pacific not only have the greatest natural wealth contained in the world today, but are solvent nations as well.

To sum up in a few words—the progress of the past ten years in the Pacific Northwest has been the best in its history. Production in all lines has been on a sound basis. Speculation has practically been wiped out. The increase, therefore, in the material wealth of this section, is real. We are undoubtedly tied up with the prosperity of the whole United States, which in some measure is dependent upon the world's stability. We must share in the reconstruction period, which some thinkers claim it will take ten years to adjust. The disturbances of exchange, now so much talked about, of the European countries will affect this country in the sale of many commodities. There will be a lessening of prices in a great many commodities this year and an increasingly large number in the years to come. The adjustment must take place and undoubtedly will take place as time goes on; but to the business man who is looking for a chart to steer his course by, we believe that a policy of prudent trimming his sails according to the present winds should prevail.

Heavy Demand for Local Funds

All of the banks in the Northwest report that there has been a persistent local demand for funds. It takes more actual cash to do business these days than before the war and for this reason there has been a great demand for loans.

The big milling companies, Fisher Flouring Mills Company, Albers Bros. Milling Company and C. H. Lilly Company have re-financed themselves through preferred stock issues which have been particularly well received, not only in the Northwest but also in California. These milling concerns are dependent for their wheat supply upon the big wheat acreage of Washington, Oregon and Idaho, and their business is a most stable one.

Bonds of the Canadian and Japanese Governments have been freely sold by Seattle and Portland investment houses but the general investment situation has not been active.

What Thinking Men Are Saying

Financial Authorities See No Possibility of Serious Over-production — Attention Being Directed to Impressive Opportunities Offered American Capital in Europe—Labor Unrest Still Arouses Criticism

SLOW AND STEADY IMPROVEMENT LIKELY IN ECONOMIC WORLD

Bernard M. Baruch Sees Nothing to Fear in Lowered Prices

"I see in economic conditions directly before us slow and steady improvement. With these improving economic conditions we shall see improving social and political conditions, because political and social unrest are reflections of economic conditions, and not vice versa. It is fallacious to assume that lower prices coming from an increased supply will make for hard times. That would be true were a third factor present, namely, lack of demand. But there is every reason to believe that demand will continue, and, if anything, increase; due, first, to the wide distribution in this country of money; second, to the fact that non-employment is negligible; third, that many needs have remained unfilled because of the barrier offered by abnormally high prices, conversion, and skeletonizing of industries during the war, and the stoppage of all constructive enterprises during the war period."

Copyright, N. Y. Tribune, Inc.
Hunting the Profiteer

CONGESTED INVESTMENT MARKET DUE TO EXTRAVAGANCE

Eugene Meyer, Jr., Would Educate People to Hold Liberty Bonds

"The first of our home problems is the congested condition of the American investment market. The dominant factor in the investment situation is the fact that twenty billion dollars of United States Government securities are only in part digested. The first thing that the American banker should do is to put the market for our Government securities into a healthier condition. He must educate owners to hold their Liberty Bonds and not to resell, and he must inculcate as well a spirit of saving for the purpose of increased investment in these securities. As long as the present partial congestion of the Government bond market obtains, so long will the proper financing of all other business, whether national or international remain costly and difficult."

REMEDIES FOR CURRENCY INFLATION ARE ECONOMY, CO-OPERATION AND PRODUCTION

R. C. Leffingwell, Assistant Secretary of the Treasury, Sums Up

"We must get together, stop bickering and face the critical situation which confronts the world as we would a foreign war. We must recognize our responsibility to and our stake in Europe, and in one way or another lend her our moral support and leadership and economic assistance, but without Government loans. We must cut Government expenditures to the quick, adjure bonuses and realize promptly upon all salable war assets, including ships, applying the proceeds to the war debt. We must have a national budget with teeth in it, which means among other things that no approriation shall be made by Congress without a critical examination and report on ways and means by the Treasury, representing the financial end of the executive branch of the Government, and the Ways and Means Committee of the House and the Finance Committee of the Senate, representing the financial end of the legislative branch. We must promptly revise our tax laws to make them more equitable and less burdensome without reducing the revenue. We must restore the railroads to a self-supporting basis by establishing rates which will insure a return for capital and labor commensurate with the return to be had elsewhere at a time when there is a world-wide shortage of both. And, above all, we must work and save. We must produce more, but, more important still, we must consume less."

RAISING FEDERAL BANK RATES WILL NOT EFFECT DEFLATION

Professor H. P. Willis, of Columbia, Calls for Co-operation of Member Banks

"Whatever may be the responsibility of the Federal Reserve System for inflation, it has not today anything like full control of inflation, and successful deflation can be effected only by the direct and active co-operation of member banks. This means the establishment of a general consensus of opinion in favor of deflation. It is not a result which can be accomplished by merely resolving to raise rates at Federal Reserve banks or by making it difficult or impossible for members to get credit.

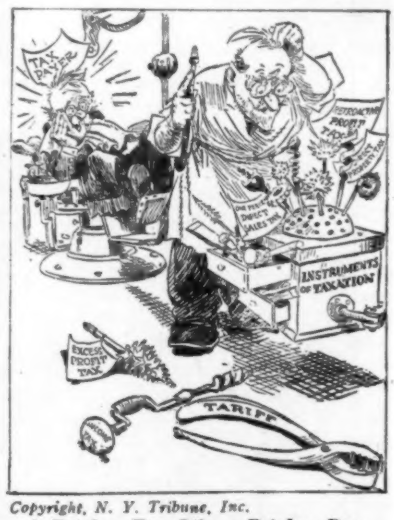
"Careful selection of eligible paper, careful rationing of member bank borrowers and the adoption of other means will no doubt after a time produce results, but all these processes will necessarily be slow. How to apply them and how far and how fast to go is the actual problem of the immediate present."

CORPORATION BAITING IS CHIEF CAUSE OF HIGH PRICES

President Ferguson, U. S. Chamber of Commerce, Emphasizes Danger of Opposing Business

"Those largely responsible for everlasting baiting of corporations as such, and those who are making the loudest noise about the tremendous increase in living due to profiteering are the people who are to blame most for the high prices.

"One of the leading factors entering into present high prices is the paralyzed condition of our railroads. The railroads of the country must be improved and made adequate to handle their share of transportation if we are to obtain any relief from the advancing cost of life's necessities."



Copyright, N. Y. Tribune, Inc.
A Painless Tax, Like a Painless Dentist Hasn't Yet Been Discovered

AMERICA MUST CULTIVATE THE MARKETS OF THE WORLD

Senator Edge (New Jersey) Points Out Danger of Disregarding Foreign Fields

"Beyond caring for its immediate, domestic requirements, the United States must open and must cultivate world-wide markets for its goods. We have industrial plants, developed through the stress of war to a productive capacity unparalleled in history; we have an American

merchant marine in which to transport our goods to every port on the globe, and we have the money with which to finance not only our own business, but also impoverished foreign customers who need and seek our products, both raw and finished materials. On production depend the prosperity and consequent contentment of the people—in these days of unrest one is tempted to say even the safety of the Nation. The people of the United States cannot consume the entire production of the land, nor would there be any profit for them if they could, and merely interchanged dollars among themselves; so, either world markets must be won and cultivated, or American production must be curtailed, with resultant poverty, distress and unrest."

BONUS FOR SOLDIERS POOR RECOGNITION OF THEIR FIGHT FOR IDEALS

Spencer, Trask & Co. Believe Bonus Would Not Recompense Soldiers

"One of the influences that has particularly depressed Liberty Bonds of recent weeks has been the possibility of a new issue to pay war bonuses. We are far from forgetting the splendid services and many sacrifices our soldiers so readily made. At the same time, we feel that the few hundred dollars the individual soldier might receive would ill represent the true measure of the nation's thanks and appreciation. Moreover, the raising of the money in these days of low funds and high taxes would be certain to create a strain that would be nation-wide and would, through further inflation, itself react on the recipient of the bounty. Care for the permanently disabled and for dependents is entirely another matter, but it seems to us un-American for our soldiers to accept gifts of money when they fought so largely for ideals. The proposal recently made to raise the money by retroactive taxes seems to us even less defensible, and the manner in which the measure is being debated in the House of Representatives creates the impression that politics are largely mixed up with it."

TAX ON SALES MIGHT BEST SUPPLANT TAX ON PRODUCTION

George F. Roberts, National City Bank, Believes Time Right for Change

"This is the proper time for a tax on buying rather than on production. It is a time for us to seek to balance the ever-present opposing tendencies of too large profits and under-production. Business profits may seem large, but even before they are reduced by taxation they are not so large as they seem, and at this moment all the money they represent should be turned into industry.

"I should welcome a tax on what the rich man spends. But the rich man after all spends little of his income. He has been accustomed to invest most of it in productive enterprise. I believe that a tax on what anyone turns into production is very bad at this time for the United States. Of course we must get money today, a great deal of money, to meet our national debts. I think, however, a carefully devised and administered tax on sales would give us adequate revenue and free capital for production as the excess profits tax was abolished."

DEFLATION WILL FOLLOW INCREASED PRODUCTION AND TAX REVISION

Charles H. Sabin Believes in Effectiveness of Present Money Rates

"The present rates are high enough to bring about credit reduction if demand becomes less intensive. If a more intensive demand were conceivable, it probably could, for a while, practically force credit extension, in spite even of higher rates than those prevailing today. Consumption cannot indefinitely continue at the present rate, unless production increases; and either increased production or curtailed consumption would, of itself, eventually bring deflation. Either marginal consumption must slacken, and marginal production increase, or production processes must become more efficient. Taxes, which help to keep interest rates high, represent consumption. And when taxes are reduced, and production and distribution attain greater efficiency, we will have deflation."

NO SIGNS OF OVER-PRODUCTION IN WORLD TRADE

National City Bank Believes Trade Conditions Are Sound

"Conditions the world over are not such as to suggest a state of over-production in any of the essential industries in the near future. The conspicuous feature of the situation is the great backed-up demand for construction work, and there is no record of panic and industrial depression in the face of such a prospect. The needs for houses, for railroad equipment and for construction work of many kinds in our own country, not to speak of other countries, are imperative."

Brown in the Chicago Daily News.

The Wrong Kind of Production

AMERICA COULD PROFITABLY SUPPLY EUROPE'S REQUIREMENTS

Paul M. Warburg Impressed by Possibilities Offered Us Abroad

"Over here we have a shortage of labor and oversupply of raw materials. Over there, Europe has an excess of labor and a shortage of raw materials. We have high wages: Europe has lower wages. We have too much food; Europe starves. We are the world's creditor; Europe is in our debt and has not the means with which to settle. Is not the logical solution of this problem that our capital should go right into the countries that at present most need a helping hand?

Harding in the Brooklyn Eagle.

Lilliputians Arousing the Giant

"There never was an opportunity more tempting from the economic point of view and more appealing as a work of healing the wounds that a crazed world has inflicted upon itself. Governments have shown that they are capable to direct and that they can unite in directing the work of destruction. In work of reconstruction most governments so far have shown themselves dismal failures. The bulk of that work (barring relief to be given to peoples facing extirpation or decimation by starvation, disease or economic ruin) will have to be carried on not by the governments but primarily, as it would seem, by the initiative of the peoples."

PRICES FOR FARM PRODUCTS NOT ADEQUATE TO FARMERS' NEEDS

Secretary of Agriculture Meredith Urges Recognition of Producers

Intensive methods of cultivation are expensive in both labor and equipment, and such methods will not be practiced unless the prices farmers receive for their products are adequate.

"It is universally agreed that the prosperity of the business interests and the welfare of the entire population is dependent upon or greatly influenced by the relative prosperity of agriculture. Is it not equally obvious that agriculture, as an industry, cannot prosper and that farm production cannot be maintained or increased to keep pace with the growing population unless the business of farming, individually and collectively, is profitable one year with another?"

Railroad Income Bonds, Cheap and Dear

Several of These Issues Are Surrounded by Many Complexities That Should Be Considered Before Purchases Are Made, Even for Speculation

By **G. H. STEVENS**

IT has often been said that a railroad income bond is no better than a preferred stock, but the same might be said of an absolute mortgage bond and a common stock when earnings become inadequate to meet the requirements of the bond. Of the seven issues discussed in this article, five represent former equities covered by absolute mortgage bonds and are the results of reorganizations. In some instances, the income bonds of today are likely to become the stocks of tomorrow. Thus, I have considered what is back of these issues in the way of assets, earnings and future possibilities of the properties rather than the technical and legal safeguards, which, having been lessened once, may be weakened again.

Of the seven issues, five are paying their interest and two are not. Six issues offer mortgage security for principal and the other is a direct obligation of the issuing company. Three are cumulative and four non-cumulative. Two at least will be converted into stocks in the course of pending reorganizations. They are selling all the way from 20 to 57, and it cannot be said in every instance that the price tells the story.

Denver & Rio Grande cumulative adjustment income mortgage 7s, due in 1932, of which $10,000,000 is outstanding, were secured when they were issued by what appeared then to be an ample amount of collateral. The security consisted, however, largely of bonds, notes and stocks of the old Western Pacific Railway, all wiped out in the reorganization of that company. This left the adjustment 7s secured with collateral consisting of $7,005,000 Denver & Rio Grande first and refunding fives and $737,150 stock of Rio Grande Junction Railway. The bonds are also a second lien on an additional block of Rio Grande Junction Railway stock and on $149,200 stock of Rio Grande & Southwestern, but as the first and refunding fives have a prior lien on this collateral, it can be disregarded as far as the adjustment 7s are concerned.

These bonds will have to be taken care of in a reorganization, but how well? Holders have contended that the bonds should receive the same treatment accorded to the first and refunding fives. As the only security, aside from the junior mortgage, is about 70% of first and refunding fives, it is difficult to see how such a position can be maintained.

The adjustment 7s were underwritten when Denver & Rio Grande was confronted with the problems that led to receivership, and for this reason the bonds never had a wide distribution. Most of them are in the hands of bankers, while the first and refunding fives are widely distributed, and for this reason it is possible that the 7s will have better protection, but if they receive the same treatment as the fives it can only be at the expense of the equities belonging to the fives.

There is no public market in the adjustment 7s, and partly for that reason the price has been kept as high as or higher than the refunding fives. Both are paying their interest, but the difference of 2% in interest cannot be a consideration much longer, and seems to me to be more than offset by the deficiency of 30% in security as measured against the fives. The uncertainties confronting the 7s in the pending reorganization would warrant a price from 7 to 10 points under the fives, but in the absence of a public market they sell artificially high as measured against other Denver & Rio Grande issues.

TABLE I—PRICES OF RAILROAD INCOME BONDS

	1920 High	1920 Low	Last	Flat Yield
N O T & M 5s....	55½	47½	48	10.42%
Peo & East 4s.....	27	18	20	.....
St L-S F adj 6s....	66	56¾	58	10.34
St L-S F inc 6s....	50⅛	39⅞	45	13.33
Seaboard 5s	41½	30⅞	34	14.71
Tex & Pac 5s......	55	52½	54	.....

The position of the property was discussed in the May 1 issue of THE MAGAZINE OF WALL STREET, and, while its prospects therein shown were good, it is a question what relation the adjustment 7s will bear to the property in the future.

New Orleans, Texas & Mexico

New Orleans, Texas & Mexico System, which has had very little publicity since it was detached from the 'Frisco Lines in 1916, is composed of New Orleans, Texas & Mexico; Beaumont, Sour Lake & Western and St. Louis, Brownsville & Mexico. The two latter have both first mortgage bonds and stock, all of which is owned by New Orleans, Texas & Mexico and deposited as collateral security for its own first mortgage 6s, of which $5,870,000 is outstanding. These bonds are in effect, therefore, a first lien on the entire system.

Subject only to the first mortgage 6s is an issue of $13,850,000 non-cumulative income fives, not secured by mortgage but a direct obligation of the company. The mortgage debt cannot exceed $15,000,000 without making equal provision for the income 5s under the new mortgage.

The traffic reason for the New Orleans, Texas & Mexico was to establish a connection between New Orleans and the National Railways of Mexico. The prosperity of the property was interrupted by a partial suspension of trade between the two countries, but the lack of peace business was supplied by the traffic growing out of border warfare. This was the situation during a part of the test period with the result that standard return was favorable.

As will be seen from Table II the system earned considerably more than standard return in 1918 and slightly more in 1919, but recent months have been less favorable and the system shows an operating deficit for January and February, 1920, after deduction of back mail pay.

There has been accumulation of income bonds and stock for some time and both issues show considerable increase in price over the lows of last year. The judgment of the buyers will be sustained when active trade between Mexico and this country is resumed, but if one wants to speculate on Mexico there are better opportunities. The best that can be said of the income bonds, selling around 50, is that they are better than the stock at 40.

Peoria & Eastern

Peoria & Eastern income mortgage fours, due in 1990, of which $4,000,000 is outstanding, are subject to about $9,850,000 prior liens. The interest is non-cumulative, but was paid from 1902 to 1908, in 1910, 1911, 1913 and none since. It is provided in the indenture that the interest shall be paid when earned.

In discussing the company's first consolidated fours in the April 17 issue of THE MAGAZINE OF WALL STREET, reference was made to the controversy between the holders of the income bonds and the management of Cleveland, Cincinnati, Chicago & St. Louis. Since that time the accountant of the protective committee has finished his examination of Peoria & Eastern's books and the committee has made its report.

An omitted credit of $15,000 was reinstated in the 1918 income account. Adjustment of the cost of a grain elevator on the company's lines resulted in another credit of $39,000. Other credits were: $50,000 for Peoria & Pekin matured bonds charged to Peoria & Eastern, $15,000 for new division of express revenue, $25,000 increased rental for equipment used by Big Four. On January 1, 1919, the operating debit balance charged against Peoria & Eastern was $324,286, and the result of the adjustments is to reduce this sum by about $144,000. The equipment replacement fund, which is cash in the hands of Big Four, amounted to $583,352, on which Peoria & Eastern is credited with 6% interest.

When this report was announced, the income 4s sold down to 20, and well they may have, because the holders, in the statement of their grievances, seem to have turned in a third alarm for a smudge in a garbage-can. I think the price is a fair reflection of the prospects.

St. Louis-San Francisco

The two issues of St. Louis-San Francisco Railway are the most active of the railroad income bonds. Both are secured by mortgage as to principal, but the income 6s of 1960 are subject to the adjustment 6s of 1955, and the interest on the former is non-cumulative, while the interest on the latter is cumulative. The accounting year for the purpose of determining income applicable to both issues ends June 30. Interest is payable on the adjustment bonds in two instalments on April 1 and October 1, while interest on the income bonds is payable in one in-

stalment on October 1. In both instances interest is payable as earned within multiples of ¼%. Thus, if the company earned 4.61% on the income bonds, there would be an obligation on the directors to declare 4½% payable and the other 1½% would not accumulate.

The full 6% has been paid on both issues since they were brought out, but, while standard return was sufficient to cover the interest requirements of the income 6s for the year ended June 30, 1919, there is some doubt whether earnings will be sufficient for that purpose in the year to end June 30, 1920.

Taking the calendar year for which the company reports, the standard return for the twelve months ended December 31, 1918, was $13,316,571. The Commerce Commission's examiners later made adjustments in the company's accounts increasing this item by $156,000, but the report of the examiners was not accepted. In 1918 the company paid its corporate expenses, so that this item of $114,750 will be increased about one third in 1919.

There will also be an increase in fixed interest charges. The company sold as of December 31, 1918, $10,598,000 6% general lien bonds, part of the proceeds of which was used to take up floating debt, but the net increase in interest on account of the financing is estimated at $323,280. The balance of the proceeds was used to pay interest, as the company was unable to obtain anything from the Railroad Administration on account of rental for many months. The company borrowed from banks as of June 30, 1919, $1,200,000, so that interest on this account will show an increase of $36,000 over 1918.

With the foregoing adjustments made, there would remain, after paying interest on the $38,763,000 adjustment mortgage bonds, about $1,835,000 to apply on the $35,192,000 income mortgage bonds, or approximately 5.12%.

The year to end June 30, 1920, may show some improvement over the year ended December 31, 1919, and it is the former that applies to the income bonds, but I doubt very much whether the company will show its full 6% earned on this issue.

The year to end June 30, 1921, will be made up of two months' rental and ten months' operating results, and in that period there is little doubt that St. Louis-San Francisco will show the full 6% earned on its income bonds. The operating showing of 'Frisco System in 1918 and 1919 was fully covered in the March 20 issue of THE MAGAZINE OF WALL STREET, and the results shown have been continued in 1920. During January and February, the road, after elimination of back mail pay from the January figures, earned approximately 100% of rental. This showing was made in two months when the roads as a whole earned nothing, so that even a moderate increase in freight rates should place 'Frisco in a position to earn a substantial return on its common stock.

Under either rental or operating income, interest on the adjustment 6s appears to be well secured. Interest on the income 6s, payable October 1, 1920, is not likely to be earned in full, and the company may even show less than 5% earned on this issue. For the following years there is every prospect that the requirement will be met in full.

The 'Frisco adjustment 6 is the only railroad income bond that can be placed in the investment class. It is selling around 57, and at that price yields more than 10%, computed on a flat basis. Allowing that the income 6 receives only 4% next October, I still believe that, selling around 43, it is the best speculation among this class of securities.

Seaboard Air Line

Seaboard Airline adjustment mortgage 5s, due in 1949, of which $25,000,000 is outstanding, have paid their interest since they were issued in 1909, yet they are selling at 35. Whatever the security may be, the price at least reflects on the part of many holders the apprehension that the margin is inadequate.

In 1918 and 1919 the property averaged to earn 42.5% of its rental, and in January and February, 1920, after elimination of back mail pay, earned about 45% of rental. This is better than the roads as a whole did in the first two months of this year and is sufficiently good to suggest the likelihood that the company will be able to cover its charges under a reasonable increase in rates.

Seaboard's property, however, requires the expenditure of large sums; and much stronger companies are having difficulty in finding money at present. Moreover, the lines are situated where they will always be confronted with the competition of better roads and stronger companies.

The interest on the adjustment 5s is cumulative and the price is low. This combination makes the bond a possible speculation, for the interest must be paid if the stocks are not to be put out of the running. In the situation confronting Seaboard, I would rather have the adjustment 5s at 35 than the preferred or common stocks at any price.

Texas & Pacific

Of the $25,000,000 second mortgage income bonds of Texas & Pacific Railway, $339,000 is in the treasury and $23,701,000 is owned by Missouri Pacific and deposited under the Iron Mountain first and refunding mortgage, leaving only $960,000 in the hands of the public. For the general interest in this small amount, the bonds would not be worth a discussion, were it not for the fact that several large blocks have sold on the Exchange lately at 54 and 55.

The bonds have paid interest as follows: 1½% in 1900, 4% in 1901, 5% from 1902 to 1907, 3½% in 1908 and none since. It is provided that the mortgage may not be foreclosed except in the event of the foreclosure of the first mortgage bonds. Moreover, the terms of the indenture covering payment of interest are ambiguous, and litigation is now pending to determine the amount of interest earned and unpaid. The plaintiffs contend that the accumulations amount to 108%.

The position of the bonds is subject to the outcome of the litigation. If the contentions of the plaintiffs are upheld in full, the judgment will be sufficient to displace the stock and the road will go to the holders of this issue. In the event that none of the claims are allowed, the bonds, which will probably be exchanged for preferred stock, will divide the ownership of the property with the present stockholders.

A valuation would probably show Texas & Pacific to be worth at least $100,000,000, against which there is only $25,000,000 absolute mortgage debt. The equity, therefore, appears to be large for the income bonds, but the question arises whether the remaining $75,000,000 of the investment can earn a reasonable return on $25,000,000 after the subsidence of the Ranger oil excitement. In the first two months of the year, Texas & Pacific reported an operating deficit after elimination of back mail pay.

As in the case of other income bonds to which reference has been made, the best that can be said of Texas & Pacific second mortgage 5s around 55 is that they are better than the stock at 35.

TABLE II.—OPERATING INCOME OF NEW ORLEANS, TEXAS & MEXICO.

	1918	1919	Standard Return
New Orleans, Texas & Mexico	$445,112	$198,005	$215,773
Beaumont, Sour Lake & Western	244,761	d16,972	d33,489
St. Louis, Brownsville & Mexico	1,245,344	1,212,682	983,890
New Orleans, Texas & Mexico System	$1,935,217	$1,393,715	$1,166,174
	†Jan., 1920	Feb., 1920	Two Months
New Orleans, Texas & Mexico	d$35,216	d$2,569	d$37,785
Beaumont, Sour Lake & Western	d3,605	28,304	24,699
St. Louis, Brownsville & Mexico	52,165	d143,430	d91,265
New Orleans, Texas & Mexico System	$13,344	d$117,695	d$104,351

dDeficit. †After eliminating back mail pay.

RAILROADS NEED MECHANICAL EQUIPMENT FOR HANDLING FREIGHT

The railroads of the United States handle under normal conditions over 1,000,000,000 tons of miscellaneous freight annually, as was shown in the Interstate Commerce Commission report of 1914, the handling of which, not including the rail haul, costs from a few cents up to 50 cents per ton, and in some special cases much more, depending on many varying conditions. It is asserted that from ten to thirty cents a ton can be saved by the introduction of mechanical equipment, which would indicate, at an average saving of even 15 cents a ton, a saving to the railroads of about $150,000,000 a year on each handling. As all this freight is handled at least twice, the possibilities in saving would be double this figure—$300,000,000 per annum. The facts are, however, that much of this freight is handled five, six, seven or eight times, exclusive of the hauling.

And yet there is not one single railroad terminal in the United States completely and efficiently equipped with mechanical appliances for the handling of package freight.—*Harwood Frost.*

Real Estate Bonds Grow in Favor

What Are the Important Questions to Be Answered Before Buying This Type of Security?

By **FRANK BAILEY**

President, Realty Associates Investment Corporation

REAL estate bonds have been steadily growing in favor in the investment markets of the East. This is a rather remarkable fact considering the activity which has prevailed in speculative markets during the past year, and it is interesting to analyze the situation and endeavor to determine whether the popularity is due to the securities themselves or because of new demands on the part of the investing public, or both.

The real estate mortgage is not a new type of security, but the present real estate bond is a comparatively recent development based on the mortgage. In fact, some of those issued recently show such contrast to the old type of mortgage that they are considered by many as an entirely new investment. The mortgage is a type of investment as old as the pyramids; in fact, a careful survey of historical records establishes beyond question of doubt that mortgages were commonly used long before the last pyramid was erected.

Throughout the earlier history of this country the old-fashioned mortgage was in high favor as an investment. Some of the greatest fortunes of this country were built upon the far-sightedness of financiers in purchasing mortgages on selected pieces of real estate on Manhattan Island.

That was, however, in the old days and since then, especially during the past few years, a sharp change in the real estate mortgage situation has occurred which amounts almost to a revolution. Until recently, the making of a mortgage was a proposition between three men: the borrower, the lender and the lawyer. Today, the high-grade mortgages are between tremendous organizations and entail millions of dollars. The lawyer has become the banking house and the lender the investing public.

Normal building demands, due to the increase of population in this country, bulk around a billion dollars a year, but owing to the fact that building has been held up during the past few years the figure is greatly in excess of that today. Few individual investors are, in present times, able to buy up an entire mortgage on selected income-producing properties of New York City. It is seen, therefore, that the real estate bond is a necessary out-growth of a situation which demands large sums for building and an insistence from the public for an investment backed by the choicest properties of the world.

The amortized real estate bond is a development of the French system adopted some seventy-five years ago. The word amortize means to kill off or reduce the mortgage, and it was characteristic of the Gallic people to work with precision and clearness of thought when they developed this idea. It is likewise characteristic of Americans today to demand that their funds be invested for a shorter period of time than were those of the French forty or fifty years ago; for Americans insist that the smaller the circle through which a loan must go, the less is its chance for fluctuation.

Already we have inferred that the real estate bond is in itself a form of mortgage. As we get deeper into the subject we may see that it has not only the advantages of the safest kind of investment, but that it has an added element of convenience.

The real estate bond is in reality simply a high-grade mortgage split up into convenient denominations for the average investor. This splitting-up process is done in several different ways, but the most improved method is shown to be that of placing a number of high-grade mortgages with a first-class banking house and issuing a number of bonds against these mortgages. In this way, behind every bond is the security of not only one property but of many, and if one property should by any chance go wrong, the mortgage on the property may be taken out and another one put in its place. The value of this from the standpoint of safety needs no comment.

The question of safety, however, sums itself up after all, to the basic question of: who are the men who select the mortgages which secure these bonds? The opinion seems to be that valuations on property in New York City should be left to a board of men who are qualified experts in judging real estate values, and who have a reputation for conservatism because in this way there is greater assurance that the valuation of the property will be conservative and the margin of safety, or equity, actually ample.

Amortization is another point which has proven to be of the greatest benefit, not only to the lender, but to the borrower, for, if the borrower is pledged to make the serial payments at regular intervals, say, twelve times a year, he is continually lightening the load which he will have to carry at the maturity of his mortgage, and the lender, or the investing public, has the additional safety to his investment given by the assurance that the loan will be paid when due. It will thus be seen that the popularity of real estate bonds has much to do with their safety.

For years the public has neglected real estate securities as an investment. Money is necessary for building, and when the demand for building is greater than the supply of money available for investing in real estate, then building is checked. This is the situation we face at the present time, but we cannot lay all the blame upon the public, for they have not been furnished with a type of investment which would insure them absolute safety, and at the same time bring a fair interest return. This has been the fault of the large real estate organizations and corporations. Furthermore, our financial system, which has provided the funds to make possible the development of our vast net-work of railways, our great public utilities, street railways, interurbans, electric and gas plants and our industries which have been the very foundation of our national prosperity, have not provided enough of the necessary funds for the development of building. There is today, however, a bright spot in the situation which comes from the fact that larger institutions are recognizing the complete safety of real estate mortgages and are placing their funds in them even more than heretofore. Savings banks which act as the custodians of the savings of the people and the larger insurance companies, have found mortgages the most stable of their investments, and in more recent years the mortgage companies who, as the size of building has increased, are called upon for larger mortgages, are willingly turning to this type of investment.

But we are confronted with the necessity of still more funds than these large corporations can offer, and there is just one answer—an appeal to the investing public. It is quite apparent that the only way to interest the public is to supply a real estate bond which has a maximum of safety.

Right here it might be well to lay down a few questions which an investor may ask those who sell real estate bonds as a means of testing their safety.

First: What men select the mortgages which secure the bonds, and are they experts in judging real estate values?

Second: Are the bonds secured by underlying first mortgages on selected income-producing properties?

Third: Is the margin of safety between the amount of the loan and the valuation of the property ample?

Fourth: Is this margin of safety increasing constantly; in other words, is the loan being "killed off," or, amortized, by serial payments of the principal in amounts large enough, not only to cover depreciation, but to actually keep the margin of safety growing greater?

Fifth: Is the borrower obliged to pay each month one-twelfth of the yearly interest and principal charges, thus placing the trustee in close and constant touch with the property?

Sixth: Are the bonds issued in maturities of from one to ten years, as a matter of convenience?

Seventh: Does the house which sells the bonds guarantee the payment of both principal and interest when due, and is that guarantee so arranged that every dollar of the resources of the investment house back every dollar of the resources of the investor?

Investors in the old type of mortgages have invariably asked themselves, "What is the foreclosure value of the property?" and having answered this satisfactorily have decided that under normal conditions if foreclosure should become necessary they would be able to offer the

property for sale and to get out of it the full value of the mortgage. Of course, there have been many cases of miscalculation where the mortgage buyer has overestimated what the property would bring if offered for sale, and there have been many cases of marked depreciation in the property which has wiped out, not only the equity, but some of the value of the mortgage.

Under modern conditions this is all changed. The wise buyer of mortgages understands that foreclosure is the last step he should have to take to collect his principal, and is insisting on mortgages on improved real estate where going concerns are housed. He wants assurance that the income from the property exceeds many times the carrying charges such as taxes, insurance, depreciation and, most of all, the charges which pay off or amortize the loan and pay the interest.

It has taken many years to learn the value of income-producing properties behind mortgages, but it is difficult to understand why it has taken so long, for the matter may be reduced to a simple principle.

Suppose a friend who is out of employment asks you to loan him one hundred dollars. You might feel sure that he would pay you as soon as he gets back to work, but you would feel much greater assurance in loaning him the money if he were actually earning at the time of the loan.

As a matter of fact the earning power of the property is the only way in which the interest and principal charges can be paid off because the property cannot be split up and sold piecemeal to cover them.

There is another point about the retirement of the loan which is highly desirable. That is, the paying down of the interest and principal charges each month. It will be readily seen that it is far easier for the man who borrows money from you to pay it back at regular short intervals than to leave a large amount to be paid at one time. The same principle applies with large organizations, especially during the first few years of the loan, when there are always a thousand and one details which cause a constant drain upon the builder's finances which, unless carefully watched, may become of serious magnitude. Also under the workings of present trust agreements it is much more advantageous for all concerned to have the borrower in constant touch with the property, for if, at any time, a monthly payment should not be made when due, there is opportunity for an immediate investigation instead of waiting until the end of some six months or a year to find out what the difficulty is, at which time it may have been too late for corrective measures to be taken.

Theoretically and practically, this paying down of monthly charges is an extremely strong feature of the safeguards which surround the modern real estate bond.

It is apparent that the present popularity of real estate bonds is due to a number of causes which are closely allied to the life and intrinsic safety of the bond itself. But outside of these, there is, in addition, a demand of builders for more funds and the insistence of the public for a share in mortgages on high-class income-producing **properties.**

Are Stock Dividends "Bullish?"

They Are Generally the Result of Increased Earning Power, But They Increase the Floating Supply of Stock

***By* SCRIBNER BROWNE**

THE interesting graph on the "Effect of Rights," worked out by Albert Schain, which appeared on page 996 of the May 1 issue of this magazine suggests a great many questions and comments in regard to the value of stock dividends to the owner of the stock.

The "melon" is unquestionably one of the strongest stimulants that can be applied to speculative markets—the very nickname shows what traders think of it. It is looked upon as a rich and juicy prize which is handed out to stockholders by the kindly and thoughtful directors of the company.

The man from Mars might have difficulty in understanding this point of view. A share of stock is just what it says—a certain share or fraction of the ownership of the company. It doesn't increase the value of the company in the least to split it up into more fractions. You are no better off to own 200 shares out of 200,000 outstanding than you were when you owned 100 out of 100,000 outstanding. You still own the same fraction of the company.

Apparently the owner of the stock should regard the stock dividend with a lackadaisical indifference. It leaves him just where he was before. Why get excited?

More Dividends

Presumably he wouldn't get excited if the stock dividend had no effect on his cash dividends. If the company, in view of the fact that it now had twice as much stock, at the same time cut the cash dividend on each share in two, so that the total cash paid out in dividends remained the same, the stockholder would indeed have every reason for calmness.

But this, of course, is never the case. The company declares a stock dividend because it thinks it can afford to pay out more in cash dividends. Instead of raising its cash dividend from \$6 to \$12 yearly on 100,000 shares, it raises the amount of stock, paying the \$6 on each of 200,000 shares.

Mr. Stockholder has been drifting along drawing down his \$6 a share for a number of years. He has noticed that the company was earning a good deal more than \$6 a share, but when he would get it or whether he would ever get it he didn't know. The company might sink it in unproductive experiments, or it might be needed to make up for insufficient appropriations for depreciation in the past, or for reserves to meet expected hot competition in the future.

But when his company declares a stock dividend he knows that the directors expect to be able to pay the same cash dividends on the enlarged amount of stock. He is therefore much cheered up. And other people who do not own any of the stock are cheered up also, some of them to the point of buying some. So the price rises.

Becomes Overbought

The almost certain result is that a lot of people buy the stock to get the rights, with the idea of selling as soon as they get a satisfactory profit. They don't wait for the new stock to be passed around. They "sell on the good news," or many of them do, having learned from painful experience that the time to sell a thing to advantage is when everybody seems to want to buy. And of course many of the original stockholders also sell either their rights or both rights and stock.

After the new stock is distributed to the stockholders, there is then more stock outstanding against the same property than there was before, and even though it pays the same dividend rate it could not reasonably be expected to sell as high. There is less behind it, and under ordinary conditions the earnings per share must be smaller than for the old stock. So the price of the new stock should naturally be less than the price of the old stock before the rights were issued.

But this is not the whole story. Many of the investors who have held the stock for years have seized this favorable opportunity to take their profits. Some of them have been waiting more or less patiently for just this event. Many originally bought the stock at prices above those at which it had been currently selling before the issue of rights, and were waiting for a chance to get out even or with a small profit. Others have been figuring that, with the growth of the company, it would take some time to pay better dividends or issue more stock; so when that time comes they have a nice profit and take it, proceeding next to look around for some other company which has a fair chance to repeat the same operation.

The outcome is that after the rights have been exercised and everybody has cooled off, not only is there more of the stock outstanding, but also a much larger part of it is in the "floating supply"—that is, in the hands of those who hold it as a speculation, not as an investment.

For example, suppose a company had 100,000 shares outstanding, of which we will say one-quarter, or 25,000 shares, was held by those who were looking for early profits, or at any rate had no intention of hanging on to it permanently. This 25,000 may be called the floating supply. Then the amount of stock is doubled and, as a result of the process above explained, more than one-quarter of the whole is in the floating supply. Let us say that half of it is. That would mean that the floating supply would now be 100,000 shares, against 25,000 before the stock dividend.

Until a larger part of this floating supply is absorbed by a more permanent class of investors, it will be a weight on the price. The chances are that the price will have to fall considerably before the process of absorption is completed. Speculators, working largely with borrowed money, often clean up the floating supply of a stock very quickly (and, of course, let go of it just as quickly); but most investors are deliberate. They think not only twice before they tie up their money, but usually seven or eight times—and then decide to wait a while longer.

Stock Prices Versus Dividend Returns

Even After Recent Decline, Common Stocks Show Smaller Income Yield Than Preferred Stocks and Bonds—Big Earnings a Factor, But Expectations of Increased Dividends May Be Disappointed, as Profits Must Be "Plowed Back"

By OWEN ELY

A STATISTICAL analysis of 286 dividend-paying stocks listed on the New York Stock Exchange, using prices and dividends as of April 24th, discloses the fact that 96 preferred stocks yielded an average return on the market price of 7.61%, while 190 common stocks showed an income yield of only 7.25%. Normally, because of the greater safety of dividends, preferred stocks sell on a lower income basis than common stocks, yet at present the situation is reversed.

A compilation of the yields of some thirty new bond issues offered during the month of April indicates an average yield to maturity of 7.33%. (Tax-free municipal and county issues were, of course, excluded.) Almost every one of these bonds was well secured by large assets and strong earning power, earnings in most cases covering interest with a margin of safety of 200% and over. Yet the average yield to maturity was greater than that obtainable from purchase of the average listed dividend paying common stock at present prices. While taxation on interest partly offsets the higher return which is ordinarily to be expected from stocks as compared with bonds, it may safely be said that the stock market is out of line with the bond market.

In the last analysis, all securities are held for the purpose of income return—present or anticipated—and prices cannot be sustained on a low rate of return indefinitely unless there is every reason to expect larger future returns. It therefore seems probable that over a period of months, the average price for common stocks will tend to decline, unless there is a radical and fundamental change in the credit situation, making larger stock disbursements possible.

It is true that dividend yields seem high at the present time, but they are low as compared with the extraordinary interest rates which must be paid on call money, time money and commercial paper. Call money at 8 to 10% is not considered exceptionally high at present, though in some former years 2 or 3% was an average rate. In 1915 time money rates averaged about 2½%, compared with 8½% for 1920! Moreover, dividend yields are now considerably lower than in 1917, though money rates are twice as high. These comparisons are indicated in the graph, which shows the trend of dividend yields, bond yields and money rates since 1905.

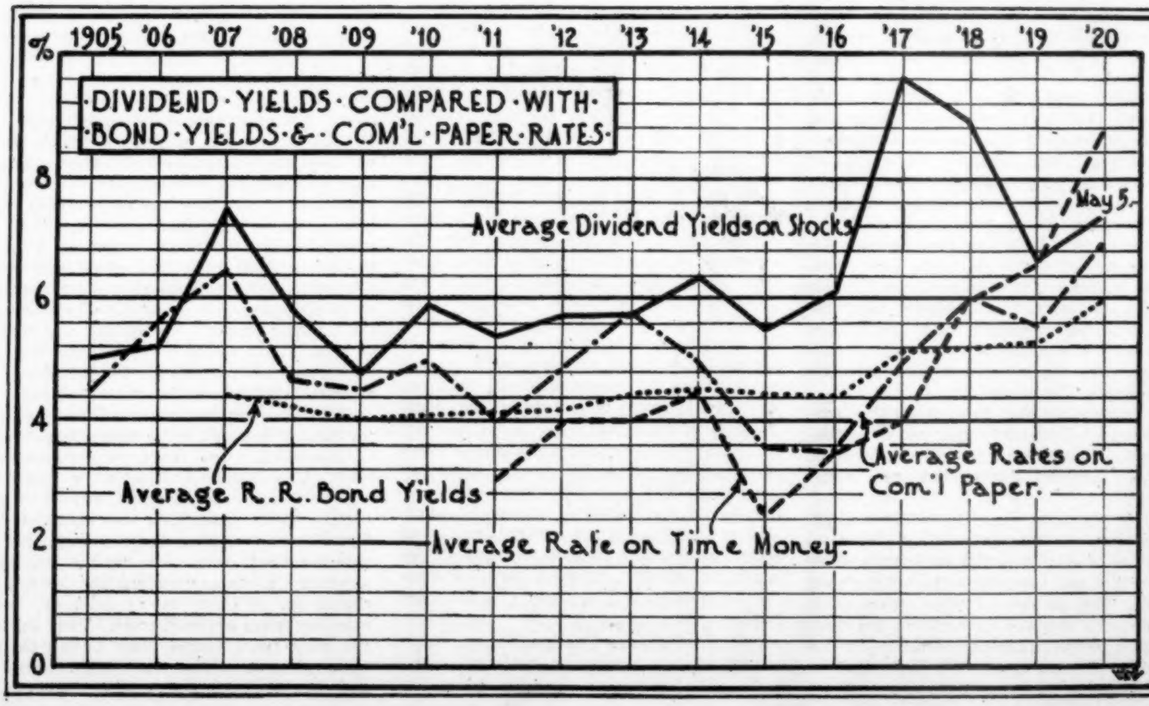
From an investment point of view, the average common stock today does not seem attractive. Most of the bargains are among the preferred stocks and bonds. Some groups of stocks, however, are doubtless in a better position than others as regards dividend return. This might be explained by the fact that such stocks had not been subjected to speculative inflation—as the rails and utilities. On the other hand, the oil and sugar stocks sell on a low dividend basis because recent high earnings have not yet been fully reflected in dividends. The following table gives the average yields for various groups of common stocks, placed in the order of yield:

Average Yields Common Stock

	Per Cent.
14 Oil stocks	5.30
4 Sugar stocks	6.57
6 Mercantile stocks	6.63
12 Motor and accessories stocks	6.76
61 Miscellaneous industrials	6.90
9 Equipment stocks	7.09
6 Tire and rubber stocks	7.23
13 Copper stocks	7.54
16 Steel and iron stocks	7.60
24 Railroad stocks	7.67
13 Public utilities	8.33
7 Tobacco stocks	9.18
5 Miscellaneous mining stocks	9.70

In considering the relative speculative advantage of holding stocks of the various groups given in the table, investors should consider not only the technical position of the market and of the various classes of stocks, but should also study these questions: (1) Will the earnings of the industry continue to increase for some time to come, or has it passed the peak of prosperity? (2) Have the companies included in the group been conservative in the past in the payment of dividends—if earnings increase, can larger dividends be expected or does the company need working funds? (3) If earnings are not likely to increase, or there is a possibility of a falling off in profits—in other words, if no increase in dividends is likely—is the return as measured by the present market price reasonable as compared with returns on other forms of securities?

The investor or trader who studies these factors will be more likely to benefit from future shifts in values.



American Can

Can's Equities Fail to Stimulate Market Interest

Some Sidelights on Past and Present Policies—Prospects for Common Dividends or Stock Melons—Why Doesn't the Stock Advance?

By VICTOR DE VILLIERS

SOME of us have heard of that great general Dooley, who "marched them up a hill—and then marched them down again," and all present holders and past investors (or speculators) in American Can will appreciate how closely the stock has emulated Dooley's men by moving around much and accomplishing little.

Marketwise, the movements of American Can cannot even be likened to seasonal manoeuvres of an army because the stock has refused to advance to the firing line during the bull markets of 1915, 1916, 1918 and 1919 with very many that resemble it closely from the point of view of equities, war earnings, the dehydration from imaginary values to real dollars, and many bull pointers that are the delight of certain market-letter writers whose salary is apparently governed by their optimism.

Viewed from the angle of values, little fault can be found if only the record of the American Can Company during the past five years can be taken as a criterion of what the company might do in the next five years. But the shares refuse to discount any improvement in the company's status and common stock dividends seem as far off as ever. Yet anyone at all informed on the subject will tell you that its equities justify enthusiasm, and its earnings some dividends. Statisticians enthuse on the subject of "Can" under 50, while veteran operators are cynical or bored, depending upon whether they have experimented in the past, or have been hoping for a chance to do so in recent bull markets. Needless to add, the stock hasn't furnished much excitement, and seems to decline with great alacrity under little provocation.

What is really the matter?

A Legacy of Past Financing

Most people know that the company has outstanding $10,791,500 of an original issue of $14,000,000 5% debentures issued in 1913 upon which the interest charges have ranged from $700,000 down to $548,533 last year. In 1912—one year before the issue of this big obligation—the common stock which had ranged from 3 in 1907 to a high of 15⅜ in 1909, commenced advancing from a low of 11¼ to a high of 47⅜ in that year. In 1911 earnings were about 7 cents a share, in 1912 a sudden jump to $8.86, and in 1913 a slump to $2.66. On April 1, 1913 (a date that seemed to have some significance), the very generous disbursement of $24 in arrears on the preferred stock, together with $1.75 regular dividend, was paid, or a total of $31 a share. It cost the company well over $1,000,000 to borrow the $14,000,000, and about the only thing accomplished was to pay off a lot of arrears on the preferred stock, and to give both the preferred and common stocks a sizeable boost in market quotations.

Before the Can Company's decision to pay the preferred dividends the stocks slumped back to 80½ for the preferred and 21 for the common. In the heat of the enthusiasm surrounding the announcement, the preferred rose to 129½ and the common to 46⅞. Not even the world war and admittedly fabulous earnings for five years, have been able to do so much for the preferred stock, and the common has gained a bare 20 points during these hectic years, despite gains of 50 and 100 points for others in the same class and apparently less deserving.

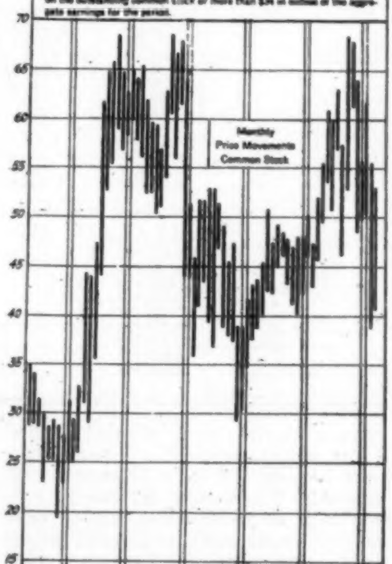
American Can Co.

Year Ended Dec. 31	1919	1918	1917
Operating Income	$11 728 758	17 076 365	21 895 042
Depreciation	2 000 000	3 500 000	3 500 000
Interest, Improvements, etc.	548 533	575 538	502 183
Federal Taxes	4 000 000	7 000 000	6 000 000
Net Income	5 180 225	6 000 827	11 892 859
Preferred Dividends	2 886 331	2 886 331	†2 886 331
Surplus for Year	2 293 894	3 114 496	9 006 528
Working Capital	33 837 057	28 510 348	24 154 540
Earned on Common per share	$5.56	$7.55	$21.84

†In addition $3,886,332 accumulated dividends was paid in 1913 and $3,886,834 in 1917 from surplus. Preferred now paid in full.

Stock outstanding, Preferred 7% cumulative $41,233,300; Common $41,233,300. Funded debt $10,791,500. In December, 1919, the management retired the last of the $12,000,000 in serial notes sold a year ago to the First National Bank. While it appears quite likely another short term issue will be necessary to finance carrying of heavy stocks of tin plate it is thought the amount will not be as large as the last issue. Book value of the common stock as of December 31, 1919, was $76.04 per share after deducting the par value of the common stock for intangible assets.

A gradual expansion in business brought total income up from $3,111,[illegible] in 1908, to $21,895,042 in 1917, which was the company's banner year. Gross income for the past year was about $10,000,000 less, resulting in a net of about 25% of the 1917 earnings. However, the management has charged off $11,500,000 to depreciation in the past four years, reserved for Federal Taxes $17,000,000 and invested in Victory notes to the amount of $6,000,000, a total of $34,500,000. This is equivalent to over $83 per share on the outstanding common stock or more than $34 in excess of the aggregate earnings for the period.



Copyrighted by Graphic Records Corp.

The real story has to do with some super-optimism on values—American Can was undoubtedly overcapitalized, its common stock being *originally* and mostly "water," and perhaps a goodly portion of the preferred stock had little behind it but the hopes and undoubted business genius of the management. Its arrears and poor earnings record proved the optimism. The second part of the story surrounds the speculative operations of the market interests, then in control with the help of a banking group, and just feeling its way in Wall Street. The climb from 11¼ to 47⅜ in 1912 was talked about freely at the time, and some prominent names mentioned as responsible. This came to the ears of the late J. P. Morgan, who was so perturbed that he invited those responsible to desist. With the financial brakes effectively applied, American Can declined to 21, and it is a safe guess that the public did not hold most of the high-priced stock.

The little piece of financing just related helped the preferred stockholders and incidentally advanced the common stock to 46⅞—which we hope enabled the original enthusiasts to extricate themselves.

Enter the War

In 1914 and 1915 the earnings for the common again went into the doldrums, the figures for the common being $3.6 and $5.1, respectively. It is another safe guess that Providence in the shape of a world-war intervened to save the company from going into mediocrity, as earnings fluctuating between $2 and $5 a share on the common did not seem to justify the necessity of paying $31 a share on 412,330 preferred shares. It might be that the corporate ouija board had forecast an orgy of profits through the peculiar conditions of a world-war, but on the material evidence available in 1913 one would judge that the American Can Company took a long chance with relatively thin assets and emaciated prospects.

In the compilation of war-tax returns to the U. S. Government, the amount used by the company for the purpose of expressing invested capital, was $48,000,000 which probably included a permitted goodwill of $16,000,000. The actual capitalization was (and is) $82,466,600 in common and preferred stocks together with nearly $13,000,000 in the debenture bonds referred to previously. The bonds have been reduced materially, but in round figures the capitalization was nearly $93,000,000 at par values for all issues.

It is clear, therefore, that until the end of 1915 there was a rather thin lining to American Can common, both as to tangible assets and earning power. Added to this was the company's inability to go in for the luxury of heavy depreciation write-offs, or to provide any kind of safety-buffer through possible periods of adversity. The enormous reserves allowed during the past four years, totaling $11,500,000 for depreciation alone, shows that a sizeable gap had to be filled between actuality and safety.

The writer concludes that until the end of 1915 Can was strictly a "nip-and-tuck" proposition that could just about make ends meet, and that its surplus of about

$6,000,000 at that time might as well be forgotten in any conservative calculation of what the common stock is really worth. Its plants, real estate, patents and other fixed items totaling about $85,000,000 at this period might be susceptible of revision, and it would be conservative to give ourselves the leeway that a surplus of $6,000,000 affords.

The war years were all banner years for the company, which did not lag behind in the race for contracts, war production and profits. It repeated the performances of hundreds of others who converted themselves almost from paupers to princes. The corporate ouija board was right.

TABLE I.—AMERICAN CAN CO.
Price Range of Stocks

	— Common —		— Preferred —	
	High	Low	High	Low
1907	7½	3	66½	34
1908	10¼	4	76⅞	44
1909	15⅛	7½	86	71½
1910	13⅞	6⅝	82¼	62
1911	12½	8⅝	93⅛	77
1912	47⅜	11¼	126¼	90⅝
1913	46⅞	21	*129½	80½
1914	35⅛	19	96	80
1915	68½	25	113½	91½
1916	68½	44	115⅝	107⅞
1917	53	29½	**111½	87
1918	50¾	34⅝	101	89½
1919	68⅝	42⅞	107⅝	98
1920†	61¾	38¾	101	95

†To Apl. 15.
*24% in back dividends paid this year.
**8.97% in back dividends paid this year.

The earnings advanced from $12.3 to $21.8 in 1916 and 1917. The slowing off to $7.5 and $5.5 in 1917 and 1918 was in net rather than operating income. The latter item, which averaged in round figures almost exactly $6,000,000 annually in the 1913-1915 years, very nearly doubled itself in 1916 and 1919, when it rose to a little over $11,000,000 in each year. The banner year of 1917 produced a trifle below $22,000,000, in which year record deductions of $3,500,000 for depreciation and $6,000,000 for taxes (a total of $9,500,000) still left the company its record surplus of over $9,000,000 and enabled it to pay off $3,696,854 in final arrears of preferred dividends—the last legacy of its 1913 financing. Earnings of $28.8 for the preferred and $21.8 for the common in that year will probably go down in the corporate records for a long while as American Can's greatest step forward since it began business.

These enormous earnings need no explanation; the war was responsible. And, more significant than mere earnings per share is any comparison between 1917 and any other year; for example, the surplus of $9,000,000 compares with a trifle over $1,000,000 in 1913. No one can claim that the latter year was sub-normal after a payment of $9,895,992 in arrear preferred dividends.

The final profit and loss surplus grew to $21,830,295 at the end of 1919, which compares with $2,402,797 in 1913, while current assets have advanced from $17,959,990 to $44,056,777 in the same period.

The real result of war and post-war prosperity may be finally crystallized in the statement that about $50 a share has been plowed back and placed behind the common stock since these abnormal profits commenced to materialize, down to date (as near as the writer can approximate these). Expressed in dollars, the company has gained well over $20,000,000 by the war—actually saved or reinvested in its business. If the enormous depreciation charges written off and final arrears of back dividends are included, it would not be wide of the mark to state that war prosperity gave the company an additional $15,000,000, or a total of $35,000,000 "to play with."

It redounds to the credit of its conservative board of management that this stroke of luck has been turned to the permanent advantage of stockholders, and as it stands today the company seems in an impregnable physical and financial position.

How About Those Dividends?

Corporations have a very pretty stock phrase that may well be placed in the mouth of the chairman of the Can Company in answer to all inquiries. We do not see any isolated statement on the subject but the opinion may be stated about as follows: "Owing to the necessity of conserving resources and of providing cash requirements to finance our large and growing business, particularly our inventory and tin-plate requirements, and the difficulty of financing at this time excepting at prohibitive rates of interest, the directors have deemed it advisable to defer taking action on common stock dividends for the present."

Stockholders might, in the writer's judgment, exercise patience for some time and resign themselves to the prospect of a long wait for dividends on American Can common. The dissolution suit still hanging over the corporation's head like a club should come up for hearing again next October, and if the outcome is still favorable, if conditions are still as propitious as at present, it would not be a surprise to see a 5% rate begun on the common at no very distant date after October, 1920.

The position of the suit seems to us most favorable to ultimate success. Reading carefully through, under, over and between the lines of Justice Rose's opinion filed in February, 1916, it is difficult to see how his extremely reasonable and logical conclusions can be upset. The learned judge went into all the *facts* and is as capable of judging facts as any other man, and his unvarnished opinion on the subject of the company's management and position in the industry, should go a long way towards appeasing sentiment against trusts.

"I am frankly reluctant to destroy so finely adjusted an industrial machine as the record shows defendant to be. A dislike for useless waste and destruction makes one loath to follow the authority which may be understood as requiring breaking up of defendant's organization. It is, of course, not suggested that this court should or could undertake the regulation of defendant's business. Courts have no such power and no fitness for its exercise."

These are merely extracts from the lengthy opinion delivered, but in selecting them, the writer has been guided by the apparent spirit that actuated the learned judge in deciding to hold up any definite decree till a later date. The courts are apparently going to watch the American Can Company closely, and it is fairly evident that it has been placed on probation a little longer.

If one may be permitted to hazard an opinion upon the trend of Government suits, then the chances for American Can seem extremely hopeful. The decisions in the U. S. Steel case and the more complicated Southern Pacific oil land suit are valuable to show the trend. The two latter were, of course, widely different in principle and object—still the Government backed down. May not the American Can Company, backed by Justice Rose's opinion, hope for the best?

It is hardly reasonable to look for dividends or stock distributions until this matter is finally disposed of.

TABLE II.—AMERICAN CAN COMPANY'S EARNINGS ON STOCK.

Year.	Op. Income.	Depreciation.	Net Income.	Earned on Pfd.	Earned on Com.
1919	$11,728,758	$2,000,000	$5,150,225	12.5%	5.5%
1918	17,076,335	3,500,000	6,000,727	14.5	7.5
1917	21,995,042	3,500,000	11,892,859	28.8	21.8
1916	11,091,048	2,500,000	7,962,932	19.3	12.3
1915	6,532,806	850,000	5,029,273	12.1	5.1
1914	5,807,802	750,000	4,376,173	10.6	3.6
1913	6,245,679	600,000	3,982,917	9.6	2.6
1912	7,522,982	500,000	6,539,046	15.8	8.8
1911	5,416,339	2,500,000	2,916,339	7.0	...
1910	3,456,537	633,564	2,822,973	6.8	...
1909	3,301,677	545,526	2,756,151	6.7	...
1908	3,111,898	405,634	2,706,264	6.5	...

INCREASE IN WORKING CAPITAL AND SURPLUS.

Year.	Current Assets.	Current Liabilities.	Working Capital.	Surplus.
1919	$44,057,777	$18,218,720	$25,837,057	$21,830,295
1918	53,101,191	24,590,844	28,510,345	19,536,401
1917	42,338,972	18,184,578	24,154,349	16,421,906
1916	28,556,069	5,929,481	22,626,568	11,112,232
1915	19,922,429	3,122,902	16,799,527	6,085,581
1914	17,660,937	1,916,157	15,744,780	3,392,639
1913	17,959,990	2,159,620	15,800,370	12,940,456
1912	16,513,294	3,095,534	13,417,760	11,843,879
1911	12,639,421	1,991,726	10,647,695	7,644,562

The common stock is 47 at this writing, and has fluctuated between 44 and 50 for some weeks. It slumped to 40 in the decline of the general market from the beginning of January to the beginning of March this year. It gained a bare 10 points in the rise that followed, although "equity stocks" like American Linseed, Corn Products and others in that class have made a far better showing. The stock was not able to climb through 70 on various favorable occasions in recent bull markets, and its hope of approximating these levels seems slender enough until after the suit is disposed, and until the market again takes a buoyant swing upward. It is the writer's belief that the stock has been held in check for good and sufficient reason and that it will be permitted to take care of itself in the

(*Continued on page 29*)

Investors' Indicator of Industrials

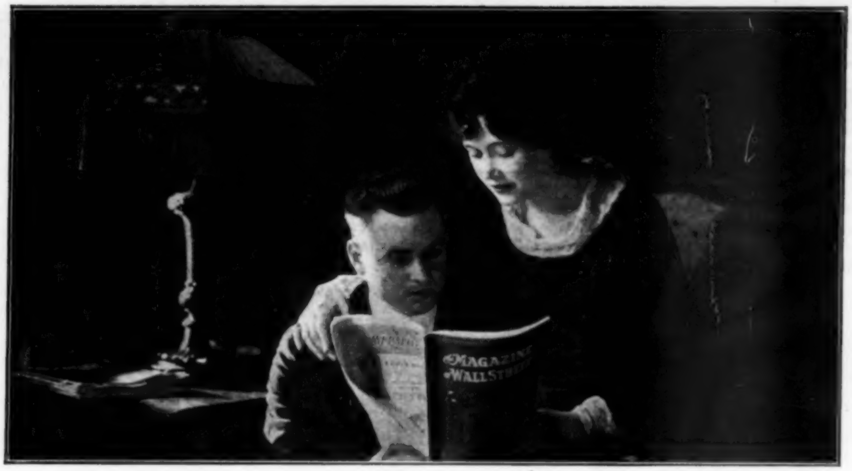
The dividend rate given covers regular declared dividends on the yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The yield on price is based on regular dividends and the last reported sale or bid price before going to press. A minus sign before earnings' columns indicates a deficit for the year in dollars per share.

INTENDING PURCHASERS should make careful Comparisons, including former years. They should also read the Financial News and Comment for additional information. If a yearly subscriber, our Inquiry Department may be consulted.

Companies Which Have Reported for 1919	Dollars Earned Per Share 1915	1916	1917	1918	1919	Present Div. Rate	Recent Price	Yield on Price %	
Allis Chalmers	.49	8.59	11.37	11.62	6.99	0	36½	0	Makes important additions and extensions.
Amer. Agricul. Chem. com.	10.97	20.57	21.11	35.01	10.34	$8	88	9.1	Has very large orders; demands for products strong.
Amer. Beet Sugar	9.50	14.30	30.55	10.58	3.86	8	93¼	8.5	Output larger.
Amer. Can	5.19	12.31	21.84	7.55	5.56	0	41½	0	Has paid off all obligations for borrowed money.
Amer. Car & Fdy	.76	2.38	27.37	30.64	32.34	12	133	9.0	Extra dividend probable.
Amer. Cotton Oil	7.05	6.99	4.55	5.14	6.08	4	45	8.9	Stock does not yet seem in established position.
Amer. Hide & Leather pfd.	7.38	12.64	13.56	18.35	20.73	7	99½	7.0	Has large surplus.
Amer. Linseed	.....	1.82	5.82	5.77	16.05	3	84	3.6	Extra dividends expected.
Amer. Locomotive	13.10	36.06	21.80	16.64	41.05	6	94	6.4	Has large foreign and domestic orders.
Amer. Smelt. & Refg.	16.80	31.73	24.14	7.29	2.22	4	60½	6.6	Pronounced market improvement in copper, lead, silver and tin.
Amer. Steel Fdries.	1.20	19.89	30.19	13.69	7.55	3	41½	7.2	Operations greatly increased.
Amer. Sugar Refg.	4.99	18.46	20.09	16.45	13.93	7**	130¼	5.3	Acquires new plant.
American Woolen	6.40	15.32	40.42	21.36	39.89	6z	109	5.5	Officials optimistic over business outlook.
Amer. Tobacco	20.05	22.73	25.25	35.45	31.83	20‡	..	...	Inventory shows large increase.
American Zinc	54.92	139.52	11.08	—.26	—.10	0	15¾	0	Operations unprofitable.
Baldwin Locomotive	7.14	6.09	34.53	21.76	21.88	3½	116	3.0	In favorable position.
Barrett Co.	21.19	32.84	20.54	18.77	10.25	8b	124	6.5	To benefit from great road program.
Bethlehem Steel	112.50	286.30	43.20	21.00	19.90	5c	93⅜	5.4	Operating at capacity.
Burns Bros.	12.11	10.03	21.27	18.35	13.70	10d	118	8.5	Prospects do not seem good.
Butte & Superior	33.37	31.79	0.94	2.17	3.63	0	22¾	0	To benefit from high price of silver and efficiency of operations.
California Petroleum pfd.	7.80	8.44	12.44	10.70	10.26	7	67½	10.4	To receive large amount under Oil Land Leasing Bill.
Central Leather	10.82	33.14	30.42	10.44	30.11	5n	71¾	7.0	Activities investigated by Department of Justice.
Chino Copper	7.67	14.40	11.27	4.66	1.59	1.50	32	4.7	Equipment at mine in excellent shape.
Colo. Fuel & Iron	.....	.....	11.15	7.51	—1.67	3	36	8.3	Results of operations of by-product coke oven plant satisfactory.
Continental Can	12.05	22.38	32.63	13.86	17.08	7	90⅝	7.7	Demand for products continues to grow.
Corn Products Refg.	10.62	20.39	38.05	29.01	23.60	4f	95½	4.2	In strong financial position.
Crucible Steel	5.39	45.80	42.12	48.25	38.80	12r	137	9.1	Business for current year to exceed those of 1919.
Cuba Cane Sugar	.....	17.36	7.63	1.25	4.84	0	50¾	0	Has good shipping facilities.
General Electric	11.57	18.31	26.50	14.77	21.80	8g	143⅛	5.6	Great increase in orders.
Goodrich, B. F.	17.17	12.76	14.50	25.67	25.09	6s	65⅝	9.1	Demand exceeds capacity.
Gulf States Steel	.....	30.25	34.83	9.96	1.20	0	57	0	Earnings steadily growing.
Inter. Agricul. pfd.	—7.47	9.80	9.31	14.89	16.37	5	85	5.9	Handicapped by lack of adequate shipping facilities.
Inter. Harvester	.....	.....	14.52	11.73	10.51	6	124½	4.8	To benefit by new coke plant.
Inter. Nickel	3.33	6.83	7.78	5.79	3.22	0	19¾	0	Business and financial position improving.
Kelly-Springfield	7.16	9.19	12.03	20.78	13.20	4h	13¾	2.9	Demand greater than production.
Maxwell Motor	6.55	30.18	30.72	5.71	8.57	0	25⅜	0	Current year to show most gratifying results.
Mexican Petrol	4.93	15.79	10.23	14.13	15.00	10	173¼	5.8	Plans new pipe line construction.
Midvale Steel	1.44	21.46	35.58	29.21	5.29	4	45⅛	8.8	Mills operated at 75% of capacity.
National Biscuit	9.52	8.10	9.87	11.63	12.36	7	112	6.2	Purchases leased land.
Nat'l Enam. & Stamp.	2.02	11.67	23.39	3.94	20.25	6	72⅜	8.3	Common asset value increasing.
Natl. Lead	4.86	6.16	15.45	14.46	14.17	6	80	7.5	To have record year in 1920.
Nevada Cons. Copper	2.78	7.51	4.83	1.70	.61	1	13⅜	7.4	Property in excellent shape.
New York Air Brake	13.43	82.15	18.94	20.53	6.24	10	100	10.0	Officials optimistic over outlook.
Pressed Steel Car	3.60	15.00	10.04	24.61	27.12	8	99¾	8.0	Earnings satisfactory.
Pullman Co.	8.79	10.32	11.36	5.44	10.61	8	115	7.0	In favorable position.
Railway Steel Spring	3.09	20.49	32.32	18.38	16.16	8	93	8.6	Large earnings expected for 1920.
Ray Cons. Copper	3.08	7.65	6.60	3.05	1.20	1	17¾	5.6	Construction and improvement at mill.
Republic Iron & Steel	6.50	47.67	51.88	22.22	1.30	6	94⅞	6.3	Has large unfilled orders.
Sears Roebuck	17.57	26.55	19.29	17.63	24.44	8t	216	3.7	Sales steadily growing.
Sloss Sheffield	.53	14.44	15.73	15.03	21.00	6	68⅞	8.7	Increased operations expected.
Studebaker Corp.	27.46	26.14	9.11	10.39	28.54	7u	106	6.6	Expects record year.
Tobacco Products	2.31	5.44	9.32	8.79	6.83	6j	63¼	9.3	Increases working capital.
United Fruit	16.12	27.97	26.72	28.01	32.06	12v	208	5.8	To benefit from advancing market.
U. S. Cast Iron Pipe pfd.	2.55	—10.91	11.18	9.24	—4.20	5	55	9.1	Outlook for current year bright; to build new refinery.
U. S. Industrial Alcohol	12.60	36.14	54.67	51.67	10.59	8	84	9.5	To market surplus production of alcohol.
U. S. Rubber	10.80	17.75	28.83	30.86	17.59	8w	99⅛	8.1	Steady increase in production.
U. S. Steel	9.96	48.46	39.15	22.10	10.17	5	94⅝	5.2	Industrial conditions greatly improved.
Utah Copper	11.03	24.46	18.46	11.35	5.08	6	68⅛	8.8	Some improvement noticed in copper industry.
Va.-Carolina Chem.	7.55	10.39	10.92	24.24	18.09	4m	66	6.1	Outlook for 1920 promising.
Westinghouse Electric	2.37	10.22	12.56	10.68	20.87	4	49¼	8.1	Incoming orders show marked increase.
Woolworth, F. W.	13.19	15.57	16.72	12.43	17.11	8	136¼	5.8	Sales satisfactory.

1919 Earnings Not Reported	Dollars Earned Per Share 1914	1915	1916	1917	1918	Present Div. Rate	Recent Price	Yield on Price %	
Anaconda	.....	7.16	24.85	17.04	11.59	4	57¾	6.9	Zinc operations profitable.
Great Northern Ore	.54	.70	1.39	—1.50	3.02	0§	35⅛	0	In strong position.
Greene Cananea Copper	1.97	1.04	2.05	5.05	6.87	0	30	0	Mines and plants in better shape.
Miami Copper	1.65	4.56	10.39	6.63	7.04	2	21½	9.3	Outlook for stock good.
Pan American Pet.	.....	.....	.....	5.80	5.58	6	95¼	6.3	In excellent position.
U. S. Food Products*	2.28	4.64	10.30	14.83	31.13	6	64	9.4	Working capital smaller.
U. S. Smelting & Refg.	1.61	13.93	20.49	5.14	8.75	3	62⅜	4.8	Outlook bright.
Willys-Overland	13.86	13.19	15.57	16.72	12.43	1	18⅛	5.5	Demand exceeds production.

*Formerly Distillers' Securities Corp. **$3 extra. ‡1% extra. c—5¾% extra. d—10% cash extra. e—2% extra. f—2% extra. g—4% extra. h—12% stock dividends. j—10% extra. m—2% extra. §No regular dividend; has made two distributions of $2 each in April and October. n—2% extra. r—50% stock dividend. s—½% extra. t—40% stock dividend. u—2¾ extra, 33⅓ stock dividend. v—1½% extra. w—12½% extra. z—10% extra payable in Liberty bonds.



Building Your Future Income

A Useful Method of Acquiring a Competency and Making It Grow by Its Own Work—The Automatic Saving Device That Is Simple and Effective

SOME years ago before I knew much about the market or investments, I was in the habit of setting aside such money as I could spare, paying it into my checking account, and transferring it to a savings account as soon as I had a hundred or two over and above what I considered necessary for my immediate requirements.

I received no interest, of course, on the checking account. In fact that portion being merely a convenience to me was really a loss of $12 a year, figuring a minimum deposit of $200 and interest at 6%. In 10 years the loss would be $120 at simple interest, and about $180 at compound interest.

In the course of an investment lifetime (this is your term), I suppose this loss in interest would amount to a very substantial sum.

But a far greater loss occurred in the saving process. I would lose interest on my regular checking balance—which item I have never regretted, since the bank is entitled to it—and also the interest on the hundreds and two hundreds that accumulated beyond my requirements. And there was not only the loss of interest on the money paid in awaiting transfer to savings account, but also the interest on the lost interest. This is a fine way of calculating, I know, but as I have learned the value of compound interest, can recommend it with the well known phrase "I would not be without it."

The bank used to pay me from 3% to 4% on money left in for a full six months. A withdrawal, even one day before the interest date, meant loss of interest, and I had this experience once or twice.

I used to turn over in my mind how the bank could do it, decided that it loaned out its money at 6% to customers needing it, and became ambitious to lend at 6%. I tried it. Lent some money to a friend, and then lost my money and lost my friend.

This decided me to act like the bank: never lend without good security, and cut out friendship. I loaned a small sum and the security was fairly good, but the borrower would not pay—not even the interest. My financing was badly in need of doctoring, so I saw a lawyer. He collected the money, but I found that I finally owed *him* a small balance, as he had to go through the court and the borrower was very troublesome.

It was a case of either back to the bank and 3% to 4%, or nothing.

One day an acquaintance of mine was making a deposit at the same bank, and along with some currency, a check and loose silver, I saw what looked like a very large postage stamp being handed in. Being interested in stamps, I asked the owner what he was handing it to the bank for, and what kind of stamp it was.

This was my introduction to a coupon for $25 representing six months' interest on a $1,000 5% bond.

Through my interest in the big postage stamp (or my ignorance) the acquaintance invited me to have a soda and he would tell me all about it. He spoke very learnedly about bonds, notes, coupons, denominations, mortgages, convertible bonds and many other things, perhaps as pleased to enlighten me as he was proud to display his knowledge and good standing financially.

What interested me mostly was the fact that bonds of this kind could be bought in almost any size piece, from $50 and $100 up. This was long before the Government made the $50 Liberty Bond popular.

I drew $100 out of the bank next day and sent it to my friend's broker to buy me one of the magic documents with such valuable "postage stamps" attached that any bank would cash. He recommended a popular 5% railroad issue. The broker suggested another kind that was cheaper. That was a puzzle to me, but knowing little, did not want to show my ignorance.

I not only got the bond, but a credit note for $17 with the explanation that the bond was bought for $83.

And that was the first time in my life that I knew it was possible to buy $100 worth of something that was apparently worth the money for $83 without having to do any bargaining.

I asked my friend what was wrong with it anyhow. I knew there was something wrong or the seller would not have let go at a loss of $17.

Another discovery. Bonds seldom sell at exactly their par value, and nearly always change hands above or below. And I had no proof that the last man lost anything, as he might have paid $75 for all I knew.

This startling discovery made me grin to myself. I had stumbled on a great secret through my casual interest in postage stamps. I realized that it wasn't always necessary to lend $100 on mortgage to get back $100 (and sometimes no interest and a lot of trouble), and that henceforth I could imitate my bank in a small way actually with profit to both, because the more money I accumulate the better customer I become.

The start was slow. Made mistakes, of course, and still make little ones occasionally. I used to look for the cheapest bonds instead of the soundest. In two cases I have been hung up, getting no interest and the bonds going down to a place where my next imitator can get them cheaper than I. I refer to the Brooklyn Rapid Transit and Interboro Rapid Transit issues. Will stay out of anything with the word "rapid" in in future. Slower but safer is now my motto.

The result?

I do not suppose that many of your more wealthy subscribers would feel jealous of my riches, in fact they would probably consider me small fry. But I have a strong box that is bulging with small bonds, $50, $100, and even $500 pieces fall over each other to have their coupons clipped in season, collected, and a few more dollars added to buy another little one. If I can't buy a $100, I can always get a $50 Liberty, of which I have quite a few. These show me a loss so far as price goes, but I'm sure they will

come back, and anyway they represent compound interest I formerly lost.

I get the financial papers at the end of each week that contain a list of bonds sold, prices, high and low for the current and previous year. If I see any substantial minus sign, I get busy, look into it, and if good I buy. Any minus sign means money in my pocket if the drop is due to conditions rather than facts detrimental to the corporation. A sign "—10" would suit me better than "—1" because in that week my extra profit would help to pay my overhead—rent of strong box and taxes.

Strange to say, the bank that I still deal with and have never changed from, approves heartily of all that I have done, and I often get some good suggestions from its cashier. Suppose my added knowledge of finance, my better standing financially and my obviously thrifty methods have raised me in its esteem, and the bank doesn't miss my few dollars in interest, although they sometimes meant a lot to me.

No interest is now lost, and by using the coupons rapidly (not the Interboro way) and adding a few dollars in case I happen to be shy of the necessary amount to make up an even $50 or $100, am able to put the interest to work and so start a new brood.—"SELF-STARTER."

RAGGED BONDS AND COUPONS

A "ragged bond" is the kind where a coupon not due has been removed by accident or otherwise, and then reattached by pasting, pinning, etc. Some people object to bonds being tampered with in any way, and might refuse to accept delivery. Therefore, an imperfect bond of this kind might cause trouble when a sale is made.

Such an accident is, of course, not possible in the case of a registered bond that has no coupons, that stands in the name of some person (usually the owner) and where a check for interest is usually sent to the person entitled to it.

Coupons should not be clipped off in advance, or in anticipation of an interest date. It is better to wait fully until maturity, and if a sale is made, to make quite sure that the new buyer is entitled to no part of the arrear interest. For example, if a sale is made on the third day of the month and the coupon is payable on that day, it is better to take no chances but to send the bond as it is to the broker or banker negotiating its sale. The seller cannot lose, as he is entitled to interest up to the day of sale. Thus, if a coupon bond is sold two days before a coupon is due, the buyer must pay the price plus interest for the six months period (less two days) on the theory that the seller by waiting two more days would have received his full six months interest.

In spite of all preaching, economy and thrift are not common qualities. The large majority of men insist on living up to their incomes regardless of the amount of those incomes. Self-denial is a hard thing, yet self-denial nine times out of ten is the secret of substantial success.—*The M. & M. Journal.*

How to Select a Preferred Stock

May Equal Bond in Safety—Some Differences

By G. C. SELDEN

THERE are some important differences between selecting a bond and selecting a preferred stock.

One difference is that the stock has no date of maturity, therefore its current interest rate is the same as its permanent yield—which, as we saw in the last article, is not true of a bond. For example, if you buy a 7% preferred stock at 94, it will yield you interest of 700 divided by 94, or 7.45%, as long as it continues to pay dividends. You will not get your principal back from the company. If you want your original money back, you will have to sell your stock at the market price at the time.

Again, a preferred stock *other things being equal*, will fluctuate in price somewhat more than a bond. Suppose a stock and a bond are entitled to be rated as of equal security for the investor. Each is selling at 100 and each yields 6%. Suppose investment conditions change so that a security of this character is entitled to sell at a 5% yield instead of 6%. If the bond matures in ten years, it will sell at 108, but the preferred stock will sell at 120. On the other hand, if investment securities generally should fall, the stock would fall faster than the bond, in the same proportion.

So investors who are figuring on income alone, and do not expect to sell their securities any higher than they bought them, will naturally prefer bonds; while investors who hope for a higher price as well as an income return, will be attracted by preferred stocks. And this is so even though the stock and the bond are of equal intrinsic excellence.

In considering a preferred stock, you should first, of course, make sure that you are dealing with a good house. That rule always applies. Next, you should examine the company's income accounts for five or more years past, to see what has been earned for the preferred stock in each year.

The company's bonds have the first claim on net earnings. So you take the net income for any year (after taxes and depreciation) and subtract from it the interest charges on the bonds and any other charges shown by the company's books. The amount left is applicable on the stocks, and the preferred stock comes ahead of the common stock. Suppose the company has $465,000 left after providing for its interest and other charges, and there is $2,150,000 par value of preferred stock outstanding. Evidently the earnings for this stock were 21.6%. If its dividend rate is 7%, it earned its dividends more than three times over.

Some companies have two or three classes of preferred stocks, in which case the first preferred has first claim on income, the second has full claim on what is left, the third follows the second, then comes the common stock.

Of course, this matter of earnings has to be looked at in a common sense way. If the company has a large amount of bonds, say $100,000,000 and only $2,000,000 preferred stock, a big per cent might be shown for the stock and yet it would be only a small part of the total income, so that it might quickly vanish in hard times. So you need to see the income account itself and cannot depend merely on the statement of the per cent earned.

The next thing to do, and it is a very important thing, is to estimate the prospects of the company for the future. If it is an established company in a stable line of business and has regularly been earning a good deal more than enough to pay its preferred dividends, you are warranted in concluding that it will continue to do so unless you can see some special reason to the contrary.

In bear markets, or in times of panic, very good preferred stocks often sell at low figures. In 1903, for example, the 7% preferred stock of the U. S. Steel Corporation sold at 49¾, giving a yield of over 14% on the investment, although there was no special reason to doubt the company's ability to continue the dividends regularly. This was an extreme case, but in every period of high money rates and stock market liquidation, very good opportunities occur to buy preferred stocks for less than they are worth.

Some preferred stocks are cumulative—that is, if less than the regular dividend is paid in any one year the back dividends must be paid off before the common stock can get any dividend at all. Others are non-cumulative, in which case if a dividend is passed it is gone forever. If a company earns a very large excess over its preferred dividends, it makes no difference to the investor whether the stock is cumulative or non-cumulative, but where only a moderate excess is earned a non-cumulative stock is in a much weaker position than a cumulative issue.

An important point to note is whether a growing company is being financed by new bond issues or new stock issues. Of course, most growing companies need to raise additional capital at times. But if the company does it by issuing bonds, these will come ahead of the preferred stock in their claim on the earnings, so that the margin for the stock is being cut down. If additional preferred stock is issued, that means that more stock can participate in the earnings, so that the per cent earned for each share may be smaller. But if more common stock is issued—for legitimate purposes, of course—that helps the preferred, for it enlarges the business without interfering with the claim of the preferred on the earnings.

Often a company reserves the right to buy its own preferred stock whenever it desires, or after a certain date, at a fixed price. For example, a preferred stock par $100 might be redeemable at $110. This means that the probability of higher prices for the stock is limited by the set figure. For at a price above 110 the company would be likely to call in the stock and arrange its financing in some cheaper way.

Advantages of the Monthly Income Insurance Policy

A Way of Insuring One's Insurance—Estate Cannot Be Dissipated Under This Plan

By **RAYMOND C. ELLIS, Home Life Insurance Company**

AMONG the many uses to which life insurance is now applied, that of protecting the home through the creation of an estate, is vastly more important than all of the others combined. The monthly income policy holds little attraction to the man or firm carrying life insurance for the benefit of the business and the strengthening of credit, or for the wealthy man who listens to legal advice and secures life insurance to provide a sinking fund for inheritance taxes. But it has a strong appeal to the man whose life insurance means the preservation of his home and the education of his children. This, after all, is the fundamental reason for life insurance, and a larger number of people carry it for this purpose than for any other.

Strictly speaking, the monthly income policy is not a new policy. It is a plan whereby the proceeds of life insurance are given a beneficiary in the form of monthly instalments continuing over a period of years or for life, instead of in one lump sum. It is a means whereby a man **insures his insurance.** The amount and frequency of the instalments, or income, varies as the insured may direct. Usually the instalments are made monthly over a period of twenty years, or for twenty years and the life of the beneficiary thereafter. In either case 240 monthly payments must be paid to some one. If the primary beneficiary should not live to get the full twenty years' income, the income would be continued to a secondary beneficiary or the estate of the first beneficiary until twenty years had been completed. From the actuarial standpoint every income policy has a "commuted" value, or face amount, which at the direction of the insured could be paid in a lump sum in lieu of the income. This commuted value, upon which the premium is based, is much smaller than the amount of the total income, because the income paid each month consists of some of the principal and some of the interest. The policy itself may be written on the Ordinary Life, 20-Payment Life or any other plan. The difference between a 20-Payment Life policy and a 20-Payment Monthly Income policy is only in the disposition of the proceeds.

The Difficulty in Conserving an Inherited Estate

It is a matter of statistical record that the rich man's son has less than one chance in a hundred of keeping the money his father earned and left to him—in a lump sum. Those who have not actually accumulated an estate through their own labor are seldom able to appreciate the value of what some one else has done and given to them. One has only to read the daily list of business failures published in our city newspapers to understand how hard it is to retain money.

It is infinitely harder to keep an estate than to create it. If successful business men who have had the brain, the energy, the perseverence and the consecration necessary to build up a business, fail daily in the very business they themselves have established, is it any wonder that the vast majority of estates left in a lump sum to women (most of whom have had no practical business experience whatever) are dissipated in the first few years? Many men, appreciating the responsibilities resting upon them, and honestly desiring to adequately provide for their dependent families secure ten, twenty-five or fifty thousand dollars' worth of life insurance, as the case may be, and, when the policy is put in force, sit supinely back, congratulating themselves that they have made proper provision for their dependents. Consequently, this is what happens in thousands upon thousands of cases:

The policy becomes a claim and the company sends Mrs. Jones a check for say $25,000. Mrs. Jones, never having handled large sums of money before, gratefully receives the check, and, for want of a better place to put it, deposits it temporarily in the savings bank. But $25,000 seems like a veritable mint of money to one who is not accustomed to the handling of substantial sums. It is very easy to withdraw it and in a few years Mrs. Jones has squandered most of it on non-essentials. Or, Mrs. Jones has relatives and friends. When they learn that she has $25,000 in the bank earning only 4% interest they immediately offer to assist her in "investing" it—often with the best intentions. Last year it was Oil Stocks. A few years ago it was Gold Bonds, with all of the "gold" delivered with the bonds—on the border. By the time "Uncle Tom," or Mr. Smith, a lifelong friend of the late Mr. Jones, have finished "investing" the proceeds of Mr. Jones' life insurance for Mrs. Jones, she is about ready to go to work. Then there are the usual sharpers who make it a business to prey upon women with any money. With gilt-edged prospectuses, allurements of 8 and 10% dividends, and inspiring eloquence, they afford another channel through which innumerable beneficiaries are fleeced of the proceeds of estates built up by years of saving and sacrifice. As the *bulk* of most estates consist of life insurance, it is just as important to protect those estates as it is to create them.

How much better and more completely most women would be protected if instead of receiving $15,000 or $20,000 in a lump sum, they received a check like the one pictured here for $100 every month for twenty years guaranteed, and as long thereafter as they lived.

By this method the insured becomes the executor of his own estate and it does not cost him anything. The proceeds of his life insurance cannot be dissipated, drawn in advance, or lost through unwise investments. He knows that every month his beneficiary will receive a check for $100 or $200, as the case may be. The income will come as regularly as the months themselves. There can be no question, doubt, or uncertainty; it is fixed. He has **insured his insurance.**

As the instalments of an income policy may be monthly or even yearly, and as the income may be for ten years, twenty years or for life, it is manifestly impossible to outline all of these different policies. The majority of young men generally prefer to have their policies on the 20-payment plan. Assuming the insured and beneficiary to be thirty years of age, the insured could secure a twenty-premium payment policy, providing his wife with an income of $100 per month for twenty years certain and life thereafter for a premium of $665 per year. Upon the policy becoming a claim the beneficiary has a guaranteed income of $100 per month as long as she lives. As the income is guaranteed for 20 years certain, the very minimum amount the company can pay is $24,000. The beneficiary might survive the insured by forty years, receiving a total income of nearly $50,000. If the beneficiary should not live to get at least $24,000, the unpaid portion would continue to a secondary beneficiary, or be commuted and paid to the estate of the beneficiary in a lump.

At age fifty, when the policy becomes paid-up, the insured himself has the usual options of the 20-Payment Life Policy. He can keep his policy in force with no further premiums. His total deposits

(*Continued on page* 33)

The World's Iron Supplies

Possibilities of Their Exhaustion—South American Resources

By **J. BARKLEY PERCIVAL**

According to Professor Hjalmar Sjogren, the total quantity of mineral deposits constituting the present reserves of the world is estimated at 22,000,000,000 tons and the quantity constituting the potential reserves is computed at 123,000,000,000 tons, corresponding to 50,000 tons of metallic iron.

Basing his calculations upon these figures, and having in view the fact that the annual production of pig iron was, before the war, estimated at 60,000,000 tons, Professor Sjogren (agreeing with the International Congress of Stockholm, called together to study the question of iron ore reserves) came to the conclusion that supplies would only be sufficient for 200 years, even under the improbable hypothesis that world production remained stationary at 60,000,000 tons.

Professor Wust, for his part, thinks that if the iron industry shows the same results, for the four great iron-producing countries as it did from 1890 to 1908, production will in 1920 attain to about 100,000,000 tons of pig iron, and in that case the deposits at present known would be exhausted in a few decades.

A few years ago Paul Trazenter made a survey of the situation of the countries importing iron ores and exporting pig or manufactured iron, observed that, taking into consideration the advance of raw material production during recent years, the United States would be the first to exhaust her reserves of first class iron ore deposits; next would come England and Germany, in almost similar situations, but with Germany slightly inferior; last would come France, which, possessing a privileged situation thanks to her Briey deposits, at the present moment finds herself in a position that mining must be kept back for some indefinite period. However, the Briey mines are known to be the richest iron mines in Europe. This authority says further that at the normal rate before the war, England's reserves would be exhausted in 85 years; Germany's in 110; France's in 270, and those of the United States in 84 years.

The war has, as we all know, compelled the belligerents to enter upon an enormously increased production of metals, reducing reserves much more rapidly than according to the above calculations. The question of the exhaustion of iron ores has become so acute that even those countries possessing great iron mines have had recourse to importation of this mineral, seeking it in distant lands such as Sweden, Spain and Cuba, who are already beginning to utilize ores of much poorer quality than the Brazilian, or even the ores of Dutch Guiana.

United States Imports Iron

There were exported from the mines of Gellivara and Kirnavara in 1908 and 1909 over 2,600,000 tons of iron, shipped to Germany, England, France and the United States, in the proportions of 74%, 17%, 7% and 5%. The United States, although the owner of large iron deposits, such as those of Lake Superior (producing annually 35,000,000 to 62,000,000 tons), has imported in recent years an annual average of 2,500,000 tons of iron ore, half of this coming from American-owned mines in Cuba and the rest from Spain and Sweden; in the same manner Japan supplies herself from the iron mines of Chile.

It is well not to forget that the iron ore problem possesses considerable influence over the destinies of the country possessing ferriferous deposits. Apparently, the desire of Germany for the French iron deposits was intimately linked with the idea of war, for the Briey fields were invaded on August 3, 1914, at the very dawn of declaration of war, and German industrialists had already indicated (at the time) their claims upon these mines as part of peace negotiations. Able to supply 300,000,000 tons of coal per annum, and manufacturing more iron and steel than any other nation in the world, and possessed of the Briey fields, richest mines on the globe, Germany would have had at her disposition two-thirds of the known iron-ore reserves of Europe.

The popular idea is that the world's reserves of iron ore are practically inexhaustible. That, however, is not the conclusion of experts who have made a special study of the subject. Mr. Percival shows why we may draw upon South America's supplies at no very distant day.

The Allies, of course, realized this fact and succeeded in crushing this intended economic superiority. As far back as 1871, when the Lorraine frontier was delimited, negotiations were based upon possession of iron deposits rather than annexation of territory. Some historians declare that the mines of Cuba were the *casus belli* between the United States and Spain, and that the Morocco question had a similar foundation, and that the Swedish-German incident regarding the mines of Laponia was but part of the iron problem.

Max Longwy says that the strongest and most enviable nation in the future will be that which possesses in her own territories the greatest variety of prime minerals. For this reason the question of iron reserves has so strongly impressed the government and the manufacturers of countries producing smelted iron that some have taken legal steps; it is on this account, doubtless, that various foreign syndicates have been formed with the object of developing Brazilian and Dutch Guiana mines.

Iron Deposits of Dutch Guiana and Brazil

Dutch Guiana, as was well known many years ago, possesses enormous beds of the purest iron ore in the world, the abundance of this mineral being so great that this country could, for many centuries, supply all the iron and steel factories of the globe. Development of her iron ores would put Dutch Guiana in the front rank of producing countries, and if present plans mature, this development will soon take place and the inexhaustible riches of the country will be tapped.

The colony's iron deposits are spread over almost the whole of her vast territory; but it is in the Saramacca and Maroni districts that the largest beds are found; in the Saramacca regions there exist actual mountains of iron ore, extending, with little interruption, for many miles.

According to calculations made by experts the deposits of the Maroni alone amount to 8,000,000,000 tons, the thickness of the ferriferous beds running from 150 to 200 metres.

The geological experts which some time ago examined the iron ore regions of the Saramacca computed the total reserves of iron existing in that part of Dutch Guiana at 2,000,000,000 tons; this zone is situated at a distance of 75 to 100 kilometres from the coast. In view of the annual consumption of iron in the world, which was before the war about 5,000,000 tons, it is plain that the Dutch Guiana deposits of one region alone could supply all factories for a period of 160 years. But it is necessary to remember that this volume of minerals represents only a very small quantity of the tremendous total wealth in iron ore of the country.

Besides being vast in quantity, Dutch Guiana's iron ore, from tests made, is remarkably pure, displaying in recent analyses, 68 to 70 per cent of metallic iron, with insignificant quantities of phosphorus, sulphur and silica. Again, the conditions for development work are very favorable in some districts, some lying very near the railway line from Paramaribo, the capital of the colony, to the interior of the country; thus rapid access to the shipping point.

Economic utilization of these mineral beds is still a problem for Dutch Guiana; but their economic value is so high that development is bound to take place in the near future. Among the anomalies and economic surprises of Dutch Guiana none is more strange than that United States capital should not be attracted to these deposits. Perhaps there is not enough written about them? The matter of capital for operating a portion of these iron beds, however, is attracting the monied men in Holland, who have sent out a Dutch professor to investigate the conditions, etc.

For several years before the war various foreign syndicates and companies and groups of capitalists have been acquiring important iron deposits at low prices in Minas Geraes, Brazil; among

these are the Itabira Iron Ore Company, the Brazilian Iron and Steel Company, the Minas Geraes Syndicate and the Iracury Falls Company. The first of these companies, the Itabira Iron Ore Company, with head offices in London, owns immense deposits in Itabira de Matta Dentro, amounting to more than 100,000,000 tons of iron ore, containing from 68 to 70 per cent of pure hematite; work will be started almost immediately.

In addition to the abundance and purity of the mineral, there is the advantage of transportation without very serious expense, by means of construction of a branch of the Victoria and Minas Geraes Railway. The company could not prosecute its plans owing to the war, which prevented the raising of capital needed for work, but now matters in this connection are going to be rushed. The company plans installation at the mines of the best modern machinery, prolongation of the railway line, as noted above, to the beds of Itabira de Matto Dentro, and construction of a fleet of steamers specially designed for mineral transport, which will also be used to convey steam coal from Europe to Brazil on return trips.

This development work owes its origin to three factors: the high quality of the Brazilian mineral, superior to any mines actually in operation (besides, of course the undeveloped ore deposits in Dutch Guiana) abroad; the tremendous quantity of reserve deposits, constituting an exceptional geological phenomenon; and, what is most important, the fact of the exhausted reserves of the world. These reserves correspond but poorly to the great and growing figures of present consumption, so alarming that some countries are already decreeing measures to prevent exhaustion of deposits. The problem of development of Brazilian beds, as we have seen, possesses all elements favorable for rapid solution, so long as there is not lacking the far-sighted support of the State, with a clear vision of the technical application and the economical effect of such development.

All the above concerning Brazil applies also to Dutch Guiana and in fact the conditions there are even better.

Kennecott—A Romance of Copper

The Moving Picture Writes, and in This Case the Rights Are Valuable—Stephen Birch, the Stout-Hearted—Soul-Stirring Clinch Between Alaska and Chile

By JOSEPH F. PRESTON

EVERY day from one o'clock in the afternoon until eleven o'clock at night great throngs sit in stuffy theatres enthralled, spellbound, deeply absorbed in romantic fictions, series of pictures flashed upon a screen, fantastic creations of the camera founded in the minds of dreamy literary men.

There is romance in business. The romance of dollars has the same element of interest as the romance of love.

Let us begin at the beginning. The scene is laid amid the arctic snows of Alaska. The director of this romance of the copper mines has assembled his company and they are now "on location."

We are all set. The camera operator is turning the crank of his picture-making machine in front of which are two sturdy miners prospecting along the bed of a river. There are illimitable fields of drifted snow, the snow laden branches of lonesome pine trees, towering mountains.

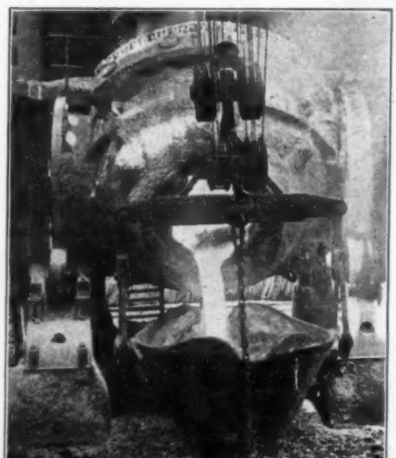
Suddenly one of the men falls. He registers extreme pain. It is at once apparent that he has sprained his ankle. And there you are! Sprained ankle! Grub all gone! Thousand miles from anywhere in the interior of Alaska! Surely here is something to stir the imagination.

Discovered!

His companion stops and regards the prostrate miner with despair depicted. But presently as he peers towards a distant mountain peak despair gives way to great joy. High up on the mountain side is the outcrop of fabulously rich ore. Bonanza.

How is it, the intelligent reader will ask, that a mining prospector searching the bed of a river for precious metals is able to see the outcrop of rich ore far up on the side of a lofty mountain peak? Everything and anything is possible to a camera, but as this has to do with facts we will say that this particular mountain side was wind swept of snow and this outcrop looked for all the world like the greenest of green grass, like a springtime sheep pasture. The outcrop was almost virgin pure copper.

You can see the same thing if you will go up in the Customs House Tower in Boston and look down on the vast sea of roofs. Here and there a roof will



Copyright, Underwood & Underwood.

POURING THE RED METAL

Long before the metal could be poured, many years of hard preparatory work was accomplished in the Alaska wilderness to develop the rich Kennecott copper properties

stand out from the others with a particularly greenish tint. The State House stands out in that way from other roofs, and the reason for this is that its roof is covered with copper sheathing. Copper when long exposed to the air takes on a greenish tint.

This is the identical manner in which the Bonanza Mine of the Kennecott Copper Corporation was discovered, the actual scene being on the Copper River up in Alaska.

It is not difficult to imagine the heart-rending incidents that a moving picture director would insert from this point on up to the soul-stirring scenes of the last reels where the hero enfolds the girl in his strong arms, hugs her to his breast, and the play ends happily.

That is the way they do in these romances of the movies, but somehow in the romances of everyday life things don't always break that way.

As a matter of strict fact it was years before that casual discovery of what has since proved to be the richest copper mine in the world brought any shekels to anybody. It was, instead, a source of great expense. Money had to be expended in enormous amounts before this discovery yielded a dollar of profit.

The prospectors knew that they had stumbled upon a big thing. Here was copper, almost virgin copper, millions upon millions of pounds, but what could they do with it? It was thousands of miles from civilization, far up in the interior of Alaska. There were no roads, not even a trail. It lay in the midst of a wild and impenetrable mountain district, a profound, age-old, undisturbed desolation.

You or I might stumble on the outcropping of an immense deposit of copper ore in the middle of the Great Sahara Desert. But who wants copper away out in the middle of that vast desert? Who could build a railroad through the drifting, shifting sands to transport the metal to places where somebody did want it?

It is one thing to discover a copper mine in the interior of Alaska and quite another to utilize that discovery.

Reel Two—Enter Mr. Birch

Here is where we have got to put in a reel for the introduction of that newest of copper kings, Mr. Stephen Birch.

The prospectors remembered that Mr. Birch was not many miles distant, at a settlement called Valdez, and that he was in the market for likely mining properties. And so the prospectors bound up the sprained ankle as best they could, made their way back to Valdez, found Mr. Birch and to him they offered their newly discovered copper mine.

He put on his snow shoes and they guided him back to the scene of their

discovery. He was an expert mining engineer and it did not take him long to assure himself that here, indeed, was a wonderful copper mine. He took an option on their mine and, loaded down with samples, returned to Valdez. Soon thereafter he hit the trail for New York and good old Wall Street to get the coin needed to make an enormously rich copper deposit far up in the interior of Alaska a paying proposition.

Maybe you think it is an easy proposition to go down to Wall Street with samples of rich ore in your pocket, tell your story of a wonderful mineral discovery, and get the bank vaults to open and shower you with bundles of money to exploit your mine. Go down there some time and try it. Every day literally scores of men are hammering at the doors of Wall Street with these stories of rich mineral discoveries and carrying samples of ore. Few of them ever get much farther than the rail surrounding the information desk. If it were permissible, they'd keep fierce bull dogs in Wall Street offices for the pleasure of sicking 'em on these gold and silver and copper mine dreamers.

But this Stephen Birch must be an extraordinary genius. He got the money.

Back he hiked over the long, long trail, and at tremendous labor and expense hauled his supplies and mining machinery two hundred miles over the uncharted mountains to his Bonanza Mine. When he got the stuff there he sat down and did a little figuring. Just to haul his stuff from the sea coast to his mine in the interior of Alaska had cost him $300 per ton, the very tidy sum of 15 cents per pound for freight alone.

The most superficial of observers will have no difficulty in perceiving that with copper at 15 cents a pound, at which price it was then selling, and which was considered a very good price, there wasn't much money in the Bonanza Mine, even were it possible to dig the pure and unalloyed metal from the ground, because it would cost 15 cents a pound to get it down to tidewater, and even then there was a long ocean trip, and on top of that a long railroad haul to get the copper down where the folks were who really wanted it.

Here, then, was Mr. Stephen Birch, having succeeded in mesmerizing the good men of Wall Street into backing him, recklessly spending the good money they had given him only to discover that he was up against it for fair. Transportation cost was going to eat up all the profits of that enormously rich copper mine. The ordinary man would have sat down then and there discouraged, beaten, and taken the count. But Mr. Stephen Birch wasn't built that way. He must have a tough hide. His name indicates that. You may have seen the tough, sinewy birch withes that back in the good old days father was wont to use in licking the boys who sneaked off and went swimming. Stephen Birch must be as tough and sinewy as were those old-time birch withes. He certainly did not sit down and whine and say: "Well, boys, it's all off. Stung again!"

Not so Stephen. He set his miners to work sinking shafts, driving tunnels and installing machinery to mine the ore and when all was going smoothly he once more hit the trail for that Eldorado of those who must have the money, Wall Street.

Think you that this young man inserted loud advertisements in the newspapers, wrote glowing prospectuses, bought sucker lists and set about conning the doctors, the lawyers, the clergymen, the widows and orphans, for the wherewithal to operate his Alaska mine? You have got the wrong idea of Mr. Birch.

A "Cut-in"—Interior, Broad and Wall

He knew that he must have money in huge chunks. He knew that the great banking house of J. P. Morgan & Co. could supply the very large sum that he needed. One can only have admiration for his indomitable spirit. He went after it. He got it.

When the great European nations wanted money during the war they went to Morgan and they got it. When iron and steel companies want money Morgan supplies the cash. When railroads want money Morgan comes across. But this Stephen Birch was the first man that ever got any money out of the house of Morgan to finance a copper mine.

Copyright Underwood & Underwood.

FEEDING THE ORE CRUSHER
The ore conveyor which carries the roughly broken ore to the crushing machines is but one of the many efficient methods of handling the copper ore at the Kennecott mine

He must have been a most convincing talker, for it is the actual fact that an Alaskan Syndicate was formed, and said syndicate coughed up the very respectable sum of $25,000,000 to build a railroad so that Mr. Stephen Birch could fetch his copper down at low cost where it would be of some use to the electricians, the bronze and brass mills, the telephone wire makers and all other folks that seem to have a perfectly insatiable appetite for copper.

His railroad, the Copper River & Northwestern, cost $28,478,000 to build. With his copper at tidewater there was no steamship line to get it down to civilization where it was in demand, and so he formed the Alaska Steamship Company at an additional expense of some $6,000,000. All this expense just to get his copper out of the almost impenetrable wilderness where nature had deposited it.

With the completion of the railroad and the inauguration of the steamship line we have the stage set where the reels are going to run a little smoother. During the next three years and eleven months the Bonanza Mine produced ninety million pounds of copper at a cost of 5.18 cents per pound. This is away below the lowest cost that any copper mine in the world has ever been able to show. Mr. Stephen Birch had made good.

Then it was that the Wall Street men who had backed him began to sit up and take notice. The copper mining business began to look pretty good to them.

They began to accumulate other Alaska mining properties and today the Kennecott Copper Corporation owns 59 patented lode mining claims and 14 patented placer claims in the vicinity of the original Bonanza Mine and also at Latouche, on the Alaskan sea coast. The Beatson mines, owned by this corporation, are located on the coast, and in the filming of this romance we will change from the rugged mountains of the interior to the sea coast.

One moment, please, whilst we change the films.

Reel Six—Sad Sea Waves

We've got a location down by the sad sea waves. A party of hungry miners digging clams, eating clams by an open fire on the beach. One of the pale and haggard miners eats a clam and registers dreadful pain. A mining engineer picks up a clam and studies it. The clam is strangely colored, the same greenish tint as the outcrop on the mountain side.

"No sewage in these Alaskan waters," he mutters. "What have these clams been feeding upon that they should make my partner sick?"

He dissects the clams and subjects them to a chemical test. They had been feeding upon material impregnated with copper. Clam chowder in that vicinity would assay 2½% copper.

Eureka! Bonanza! Another copper mine!

This, indulgent reader, is not a fanciful sketch, for this is the manner in which the Beatson Copper Mines on the Alaskan sea coast were discovered. The clams gave unmistakable evidence that copper deposits existed in that vicinity. They will give the same kind of evidence that sewage exists in their vicinity. This scientifically trained mining engineer followed up the clue and located large copper deposits near this spot. Today these mining claims, known as the Beatson mines, are large producers of copper and are owned by the Kennecott Copper Corporation.

Since the organization of the Kennecott Copper Corporation, some four years ago, its Alaskan mines have produced 360,973,920 pounds of copper and 3,745,000 ounces of silver of an approximate gross value of some $80,000,000.

Here we are at the end of the seventh reel with pictures of dazzling wealth and splendid success flitting across the screen. The most captious of moving picture directors could not better shape the ends of destiny. Birch has made good.

However, one time there was a copper king, Col. Greene was his name, who

said that at his copper mine down in Mexico he could produce copper in practically unlimited quantity at 4 cents a pound. He was the Col. Sellers of his time. He did have a pretty good copper mine. It is a good mine today. It has earned millions. But from time to time it is plundered and pillaged at will by Mexican bandits, and the nearest it ever came to a 4 cents per pound production cost was around 12 to 14 cents.

And one time there was a copper stock called Amalgamated, a blind pool in copper mines. You may have read something of the history of that stock in the lurid romances of Mr. Thomas W. Lawson. Long since that notorious copper stock ceased to exist. The days of blind pools are over so far as the New York Stock Exchange is concerned.

The men who staked Stephen Birch were able business men. He laid all his cards on the table, face up. The merest chance had led to the discovery of his copper mines. There was the element of chance in their exploitation. They took the chance, gave him financial aid, the benefit of their keen business brains, their insight, their ability to look ahead and anticipate the future. But these able financiers, while conceding that the Alaskan mines were good, none better, questioned among themselves whether it would be quite fair to ask the public, who had been stung many times by Amalgamated and other copper shares to invest its good hard dollars in copper mines located in such an inaccessible spot as Alaska. Something might happen. The ore might peter out, and while many of the things that we worry about do not happen, still these keen business men were not entirely satisfied.

The Clinch

They liked not the fortune of blind chance with which so many copper stocks seemed to be endowed, and so when they organized the Kennecott Copper Corporation to take over the Alaskan properties, the mines, the Copper River & Northwestern Railway and 50% of the stock of the Alaska Steamship Company, they found it advisable in order to confer an increased measure of stability to the stock of the newly-formed corporation to make an investment in shares of other copper mining companies with mines located in other fields, good mining properties where it had been accurately determined that there were large ore reserves of sufficient tonnage to give assurance of long life.

They bought 99% of the stock of the Braden Copper Mines Company, which company owns what is believed to be the third largest known body of proven copper ore in the world. This body of ore, located in Chile, is estimated to contain 173,500,000 tons of proven copper ore averaging 2.45% copper, and 90,000,000 tons of probable ore averaging 1.88% copper.

From time to time they invested in the stock of the Utah Copper Company, and now own 616,504 shares, or 38% of its entire capital stock. Utah Copper Company owns the largest producing porphry copper property in the world, a veritable mountain of ore. There was mined from this property prior to January 1, 1919, a total of 79,381,400 tons of ore averaging 1.397% copper. The proven ore reserves on the same date amounted to 375,040,000 tons averaging 1.370% copper.

During the five years ended December 1, 1918, Utah Copper Company's net revenue, including receipts from Nevada Consolidated Copper Company, of which it owns a half interest, but before deducting depletion charges, amounted to $112,311,600, or $69.14 per share of its stock. During this period the average cost of producing copper was 9.72 cents per pound.

With these investments the Kennecott Copper Corporation, so far as human foresight can determine, has removed the element of chance from its operations. Something might happen to its Alaskan properties, but it would still have its vast body of copper ore in Chile and could look forward with confidence to its 38% ownership of Utah Copper. Something might happen to anyone of its properties at some one time, but the chances are very much against anything happening to all its properties at the same time.

Last Scene—Baby Dividend in Cradle

Many able financiers have contended that copper stocks are not investments, for a copper mine is constantly feeding upon itself. Ore once taken from a mine can never be replaced. "You cannot have your cake and eat it." But the world is constantly changing. It is only yesterday since this new order of copper mines like Utah Copper and Braden Copper came into existence with enormous proven ore reserve. It will always be open to question whether copper stocks can be considered wise investments for widows and orphans. But if any copper stock ever was a safe and sound investment then Kennecott Copper is that stock.

Copper and electricity are twin sisters. Electric motors will not mote unless coaxed to do so by copper strands wound and wound and rewound about magnets, nor will electricity generate without these same endless miles of copper wound magnets. And when this intangible thing that we call electricity travels on journeys from generating plants to distances, sometimes as far as 180 miles, it refuses to travel unless its course is directed by a strand of copper wire. It is possible to flash messages through the air by the aid of electricity without copper wires, and it is even hinted that these flashes can be wafted through the illimitable ether to other planets, to nebulous Mars and Venus.

But even so the copper cables will continue to do business at the old stand. Through all the ages copper has been doing business at the old stand, it has been one of the basic materials with which man has fought his way up through the various stages of civilization. Today with this mysterious, invisible power which we call electricity and for which copper has such strong affinity, its use is greater than ever before.

And so here in this last reel of this romance we leave the picture in which our stout-hearted hero has stuck to his job and made good, confident that if at some future time it becomes necessary to add an additional reel or two it will not be of the hair-raising tragedy kind, but a soft and subdued picture of success, richly deserved success, and a square deal for all concerned.

Why a Premium for Gold Producers?

(Continued from page 8)

wages continue and may even be thought of as still ascending; and meantime the gold mining industry in the United States is suffering and going more and more into decline, rapidly, even, reaching the vanishing point.

It is surprising to find any resistance in the treasury based on such premises. The treasury might even welcome the excise tax as a revenue producer for itself. It is complaining of its huge deficits. The excise tax proposed will be collected at no expense worth the name to the treasury. The tax will not only pay for itself but will leave the substantial balance, probably of $5,000,000 annually accrued from the surplus arising from the premium, for the proposed law makes it the duty of the treasurer of the United States to place this balance in the general fund of the treasury of the United States.

Those who favor this means of aiding the gold mining industry in its present hour of depression are being given much attention by members of congress, who are recognizing more and more its worth in meeting an imperative need. The ways and means committee of the House is giving the matter its serious consideration. Many letters are also being received from the gold mining world indorsing the relief planned. The letters come not only from the mine owners and operators, but from the miners themselves, who recognize that if gold mining is not assisted in a substantial way many of the mines must close.

BUILDING OPERATIONS IN 1919

Reports received by the United States Geological Survey, Department of the Interior, from the building officials of 114 of the larger cities in the country show that building operations in 1919 greatly exceeded those in 1918, both in number and cost. The number of permits issued or buildings erected in these 114 cities in 1919 was 309,551, as compared with 173,635 in 1918, an increase of 135,916 or 78 per cent. The cost of the operations in 1919 was $1,130,817,591 as compared with $369,252,315 in 1918, an increase of $761,565,276 or 206 per cent. If the operations in the remaining cities from which the Geological Survey usually receives statistics of building operations show a proportionate increase, the number of permits issued or buildings erected in 1919 was about 377,000, which would cost about $1,300,000,000, so that the record for 1919 was the highest yet reached in the building industries in these cities in both the number and the cost of operations. The year of the next highest record was 1916, when 347,761 operations were reported, which cost $1,046,276,549. The average cost per operation in the cities which have so far reported for 1919 was $2,127 in 1918 and $3,653 in 1919.

Business Principles Applied to Mining

Mining Is Not Always as Speculative as It Is Popularly Believed to Be—Successful Mining Is Founded on the Same Commercial Common Sense as Other Industrial Enterprises That Make Good

By **HARRY J. WOLF**

THERE was a time when the careful investor regarded all mining ventures as highly speculative, and little better than gambling. A man who would risk his money in mining was supposed to be deluded by over-optimism in his desire to get rich quickly. The application of business principles to mining was considered a novelty. That time is past, and mining is now taken more seriously. The well-informed man of today appreciates that it is as necessary to apply sound business principles to mining as to manufacturing. A well managed mining project may be compared directly with a wisely conducted manufacturing enterprise, with one fundamental exception.

Mining vs. Manufacturing

The manufacturing company may cultivate its raw material, or purchase it regularly in the market, and by the application of suitable processes may convert it into various finished products in the form of useful commodities. The mining company digs its raw material out of the ground, and through the application of suitable ore-dressing and metallurgical processes may recover from it various metals. In one case the raw material may be cotton, and the finished product may be clothing; in the second case, the raw material is ore, and the finished product may be bullion. Both enterprises require the application of technical knowledge and scientific methods in order to insure successful production of marketable products from the raw materials. Sound business principles must be observed in the conduct of both enterprises if their operations are to return consistent profits.

There is a fundamental difference between manufacturing and mining, in that a producing mine is a wasting asset. This fact requires the consideration of certain principles in mining, in addition to all the ordinary principles which apply to manufacturing. A manufacturing company may supply its plant with raw material purchased in the market, and may in most cases take advantage of competition between producers of this raw material. If the supply from one source diminishes, the shortage may be made up by obtaining the required material from another source, and thus an unlimited supply of material insures a corresponding unlimited life for the enterprise, assuming that all other considerations are favorable.

On the other hand, a mining company usually owns a definite amount of raw material, represented by the total quantity of payable ore in its property. Every day that a mining company operates it consumes a certain portion of this limited supply of raw material, which means that the life of the enterprise is found by dividing the total quantity of ore in the mine by the annual tonnage extracted. In other words, if a mine contains 600,000 tons of payable ore, and the operating company extracts 100,000 tons of this ore per annum, then at the end of six years the mine will be exhausted and the enterprise will come to an end.

Redemption of Capital

It is apparent, therefore, that a mining company operating on a sound business basis must return on the investment not only a net profit which is commensurate with the risk involved, as would be demanded in the case of a first class manufacturing enterprise, but also an additional profit sufficient to return the entire capital investment within the life of the mine.

A certain manufacturing company may have $1,000,000 invested in an enterprise which may earn a net profit of 10%, after paying all operating expenses and making proper provision for charges against maintenance and depreciation. With favorable trade conditions and good management such an enterprise might continue indefinitely, and distribute among its stockholders each year its net profit of $100,000. Imagine a mining company with a capital investment of $1,000,000, and a supply of payable ore that will last ten years, and suppose this mining company distributes a similar net profit of $100,000 a year to its stockholders. The net annual earning of this mining company must be nearly double the earning of the manufacturing company just mentioned, because in addition to its necessary profit of $100,000 per annum over its operating and fixed charges, it must redeem $100,000 of its capital investment to offset the consumption of 10% of its limited supply of raw material.

Therefore, it is evident that one of the necessary principles to be considered in connection with a sound mining enterprise is the redemption of capital within the life of the mine. This principle has been expressed briefly by saying that a mine is an asset in process of liquidation.

The redemption of capital investment, that is, the purchase price of the property, plus the cost of adequate equipment and such preliminary underground development as may be necessary to bring the property to the productive stage, is only one of the numerous business problems that demands the attention of the successful mine operator.

Among the special mining problems to which business principles may be applied are: determination of the rate of production corresponding to maximum profit; limitations on the amount of capital it is safe to spend for additional equipment, with due consideration of present ore reserves, and uncertainty regarding the continuity of the ore bodies in depth; determination of the most efficient rate for mine development work to proceed, or the most efficient ore reserve to maintain; conditions favorable and unfavorable to a policy of intensive operation; the purchase of consumable mine supplies; allowances for maintenance and depreciation as applied to mining equipment; discounting the speculative elements peculiar to mining; and other mining problems which should be understood by the investor in mining shares, and which will be made the subjects for discussion in future articles.

(Series to be continued)

CAN'S EQUITIES FAIL TO STIMULATE MARKET INTEREST

(*Continued from page 20*)

ensuing few months. The chances favor a further decline rather than a rise.

It should be remembered, however, that American Can of 1920 is not the struggling concern of 1912, and the lowest appraisement the common stock is entitled to is at least around $50 a share, with prospects that eventually justify a much better price. But there are many wrinkles to iron out, and investments in the common are likely to prove expensive until dividends begin. But, for the longer pull, the common stock will repay patient watching for opportunities to buy—on a reasonable scale down at lower prices, and during bargain days.

American Can preferred at 95-96 paying 7% is a cumulative issue that deserves a high rating. The yield of about 7.3% is not high in these days of bargain bonds, and the fact that the preferred sells high indicates the esteem it enjoys among investors. It will also bear watching to buy at bargain levels if it should decline to around 85.

American Can 15-year debenture 5s due 1928 are very inactive, and quotations not always available. Last sale around 90 also places a strong rating on this obligation, whose interest charges have been earned about 25 times on the average in the last three years. There seems to be no doubt as to the interest, and holders have a very good investment in them.

INDIA TO ABSORB MORE SILVER

When it is realized that approximately one-fifth of the human race uses the silver rupee for its currency, and that the piece enjoys a distribution greater than any other silver coin, the importance of any regulation affecting the rupee becomes apparent. Furthermore, the Indian Government is the world's greatest consumer of silver, and by its own action has "fixed" a minimum price for silver purchases. As long as India sustains this arrangement it will be possible to dispose of silver to that country at prevailing high prices.—***Bureau of Mines.***

Recent Developments in Four Major Copper Companies

Expansion Plans Under Way Indicate Confidence of Copper Men in Ultimate Improvement of Industry—A Comparison of Records, Resources and Prospects

By MAX GOLDSTEIN

AS the annual reports of the big copper companies have come in, one after the other, each with its story of poor earnings or deficits, dividend reductions and decreases in working capital, the underlying optimism of those familiar with the copper situation has surprised many. Apparently the more disastrous the reports the stronger the enthusiasm; at any rate, the Street is practically unanimous in thinking that the coppers will do much better this year than last. This unanimity explains why the shares did not drop very much on the successive publication of the reports.

It is interesting to see, therefore, what the various companies are doing in view of the prevailing market situation in copper, of which more is said in another article. They are practically all keeping production down to a 50% basis, more or less, and most of them are profiting by the occasion to do development work that will put them in a position to greatly increase production when sufficient demand manifests itself.

Anaconda's Diversification

Within the past few months Ananconda has gone into some new lines of activity which should tend to stabilize its future earnings when they have progressed past the development stage. For one thing, it has seriously started in the fertilizer industry by beginning construction of a phosphate rock treatment plant, initial capacity being about fifty tons a day. The company's deposits of the rock in Montana and Idaho are estimated to contain about 75,000,000 tons, or enough for the company's needs for 100 years. It is expected that from this fifty tons of rock about thirty-five tons of the acid superphosphate can be made, while the rock itself can be sold at about $12 a ton.

Photo by Brown Bros.

THE ANACONDA COPPER PROPERTY

A view from Anaconda Hill of the large copper mining town near Butte, Montana. Anaconda has lately added the manufacture of fertilizers to its activities, controlling 75,000,000 tons of phosphate rock

At the present time, while fertilizer is not yet being made in large quantities, the experimental plant is being put up, a railroad connection with the rock deposits is about to be completed, and the company is actually mining and selling the rock on contract. Should the venture turn out to be profitable, it is believed the company will construct the large plants necessary for the production of fertilizer on a large scale, which may necessitate some new financing.

At the same time, two already existing branches of Anaconda's business are being developed more extensively. One is the zinc smelting business, which is being speeded up in anticipation of an increasing demand for the metal. The smelting plant has a capacity of 9,000,000 pounds of metal monthly, nearly all of which was used for the March zinc production. This increased activity, first noticeable about January, has also led to greater recovery of by-products, particularly lead, silver and gold. Anaconda's zinc ores run about 12% zinc, which makes their operation quite profitable when enough of a demand for zinc exists to warrant large-scale output.

Increasing activity has also been noted in the ferro-manganese production of Anaconda, which had more or less declined. With the improvement of conditions in the steel and iron industries, demand for ferro-manganese used in iron-making, strengthened and sustained advances of late, bringing it up to war-time price levels and requirements. The ferro-manganese plant was originally constructed at the request of the Government to aid in the prosecution of the war, and handled the output of the Butte Copper & Zinc Co., which it controls. Accumulated stocks of the alloy had to be disposed of after the armistice, and the readjustment was delayed somewhat by the coal and steel strikes. The plant was therefore shut down, and has only recently been reopened, all eight furnaces now running.

Another new enterprise into which Anaconda is said to be planning an entrance is the manufacture of "arsenic," or more accurately the trioxide of arsenic, used as a poison and as a spray for plants. The market for this commodity is limited, of course, but Anaconda's potential production is said to be very great, running over 3,000 tons a year or more. This should be another subsidiary source of income in a short time, as its large-scale production is a simple metallurgical proposition.

In the copper operations of the company, production is being slightly increased under great difficulties. The principal of these at the present time is the shortage of skilled mining labor, which will probably become more acute if the demand for copper takes a sharp turn upward. Two important shafts have had to be closed because of the shortage, and the employes transferred to other parts of the works.

Development work on the silver properties of the company is showing encouraging results, new ore-bodies of comparatively high grade having been opened up in the Orphan Boy, Orphan Girl and Anglo-Saxon veins. In view of ruling high prices for silver as compared with the other metals that Anaconda mines, this development is most favorable to the company.

In default of accurate information as to Anaconda's operations for 1919, the annual report not having been published up to the time this was written, it may be said that it is not unlikely a deficit will be shown for the year. Production ran at about one-half the rate of 1918, and about 68% of the 1917 figures. The new development cited above, however, should

tend to diversify Anaconda's sources of revenue and help support the company during a bad spell such as that which has lasted since November, 1918.

Cerro de Pasco's New Plant

It has been stated authoritatively that the company is planning to construct a new smelter at Oroya, Peru, to take the place of the present plant at La Fundicion. Preliminary estimates indicate that the plant will take two years to complete, will cost some $9,000,000, and should be able to handle 2,500 tons daily at a minimum, or twice the capacity of the present smelter. As Cerro de Pasco's working capital when last reported was not much over $9,000,000, the probability of new financing is indicated.

Ground has already been broken for the new plant, and arrangements have been completed for obtaining the necessary labor and supplies. To some extent this was necessitated by Cerro de Pasco's recent expansion in output, which while not large was considerably in excess of that of other companies. War production was not far behind that of many months in 1918, and in general Cerro does not seem to have been following the policy of restriction of output to the same extent as the majority of the copper companies in this country.

To some extent this is due to Cerro de Pasco's unusually low production costs, which depend on the richness of the company's ores in silver. As the selling price of all silver produced as a by-product is deducted from the cost of producing the copper, Cerro's costs are among the lowest of any, and so it is able to make money even when the price of copper is down to very low levels. For this reason it is able to keep production up when other producers find it necessary to cut down.

Cerro's production last year was some 83% of the 1918 output, and silver values are believed to have amounted to 5 cents for every pound of refined copper turned out. This would bring costs down to about 10 cents a pound or below, without reference to gold values. Because of the conditions of mining operation in South America, it is difficult to ascertain exact figures on these matters, but the low costs are likely to remain one of the attractive features of Cerro de Pasco from the investor's point of view.

Figuring silver at $1 an ounce and one ounce of silver to every 20 pounds of copper, which is a conservative estimate of the relative proportion of the two metals in Cerro de Pasco's production, a production of close to 60,000,000 pounds of copper last year would mean about $3,000,000 earned from silver alone, compared with the present dividend requirements of $3,392,872 at the current rate of $4 a share. In other words, copper might almost be regarded as a by-product of the Cerro de Pasco ores, as so little of it need be sold to warrant the continuance of the present dividend rate. It is therefore probable that the company is mining more copper than market conditions of the red metal warrant in order to extract the silver so as to take advantage of present market conditions for the white metal.

Much has been said concerning the prospects of Cerro's turning over its refining and selling business to the American Metal Co. instead of the American Smelting & Refining Co., which is now handling it. Cerro's contract expires soon, and it is well known that some of its directors are heavily interested in American Metal. A substantial interest in the latter company is believed to have been secured by Cerro at a sale by the Alien Property Custodian of American Metal stock. It owns a refinery at Chrome, N. J., which is capable of turning out 150,000,000 pounds a year, or somewhat less than twice Cerro's present producing capacity.

The line of Cerro's expansion at the present time appears to lie in the direction of becoming more independent and increasing its producing capacity, as shown by its activities in connection with the Oroya smelter and the reported refining arrangements with the American Metal Co. It is a young and growing company, though some of its properties have been worked for a long time, and its prospects, we believe, are excellent.

Inspiration's Weakness

Inspiration suffered almost more than any other copper company as a result of the unfavorable conditions which prevailed last year. It earned $3.54 a share, but paid out $6.50 a share, cutting into its surplus by almost $3,000,000. In 1918 the company had also taken $1,226,000 out of surplus, indicating a financial policy not of the most conservative.

Another point is the relatively huge amount of copper left on the company's hands at the end of the year, when the balance sheet was made up. On the financial statement this is carried at $7,751,053, while production costs figure out at 13.412 cents a pound. Assuming that the inventories were carried at cost, as good accounting practice demands, somewhat less than 60,000,000 pounds of copper were left at the end of the year. As the total production for the year was only 78,000,000 pounds, it can be readily seen that the company had no chance to make any great amount of money during the year when it could dispose of only 23% of its current production.

Working capital according to the 1919 report figured out at $9 a share, but most of this is made up of inventories, which in the present condition of the market may not be disposed of for some time. Surplus still amounts to $8 a share, in spite of the great cuts that have been made in it of recent years.

Another unfavorable feature of the situation in Inspiration is the gradual and steady decline in proved ore reserves. In 1919 they amounted, according to the company's report, to 77,477,123 tons, compared with 82,725,246 in 1918, and 97,143,000 no further back than 1915. This would indicate that the company is using up its proved reserves, and is not doing any new development work.

An interesting side line of the company is its participation in the oil business together with the Anaconda Co., through the Arizona Oil Co., which last year produced 456,174 barrels of oil. To date this venture has not helped the Inspiration Co. materially, as dividends from this source amounted to only $69,360 last year.

Results at an experimental leaching plant recently set up indicate that the sulphuric acid leaching process, with electrolytic treatment of the deposited copper, can be economically applied to this company's oxidized and sulphide ores, indicating possibilities of lowering operating costs. However, operating costs have not proved the great difficulty of the company, as it is one of the lower-cost producers of the country.

On the whole, we do not think Inspiration as attractive a purchase as other coppers, as the financial position of the company has been weakened through dividend payments which have been excessive in view of market conditions, and the developed ore reserves of the company are being depleted at a rapid rate. The undeveloped reserves are of course still uncertain.

INSPIRATION MILL AT MIAMI, ARIZONA
With the ownership of over four thousand acres in the Globe camp, and with well developed ore reserves, but 23% of its current production could be marketed during the past year

Greene-Cananea's Prospects

Market interest in Greene-Cananea has usually been associated with phases of the Mexican political situation, remembering that it was friction resulting from Mexican taxation that caused the mines to be shut down during 1917, and that has more or less interfered with the steady working of the mines since then. At erably brighter than it has been for some ably brighter than it has been for some time, as instance the recent granting of temporary drilling permits to American oil companies.

While the annual report for 1919 is not out yet, indications are that the showing will not be any better than the general run of copper companies, and may con-

ceivably be worse. Last year the company turned out about 41,300,000 pounds of copper to 53,349,643 in 1918, a reduction smaller than that of most producers. The company has been able to increase steadily the proportion of silver to copper produced, thus cutting down its production costs. It never was a particularly low-cost producer, running about 15 cents a pound in 1918, but recent development work has indicated the existence on the company's property of extensive veins running as high as 10 to 11% of copper, which should tend to allow the company a larger margin of profit on its operations.

Since 1917 the company has had two important subsidiaries, toward which it acts as a holding company. The Cananea Consolidated Copper Co., S. A., is the operating company, and Greene-Cananea also has complete stock ownership of the San Pedro Copper Co., which has title to some nine extensive copper claims in Cananea, Sonaro, Mexico. Earnings of the company are difficult to compare from one year to another, as the financial structure of the company was more complicated before 1917, the mines were closed during part of that year, and present conditions are admittedly abnormal.

In 1918 the company showed about $6.86 earned per share, but this result was only achieved because of the "difference in value of inventories," amounting to substantially that sum, a figure which had not been approached in any previous year by this item, which represents merely market appreciation of the stocks on hand. Otherwise the company ran at a deficit in 1918, and if operating conditions were no better in 1919 the company's showing will be poor indeed, as market conditions for the metal were very different during 1919 from what they were in 1918.

The company's dividend payments had always been fairly close to the income, in 1918 a trifle beyond it, but in May, 1919, the rate, which had been cut from $8 annually to $6 some time before, was passed entirely, thus conserving capital. At that time it was said that production costs plus taxes were roughly equal to the selling price of metal at the time. As the price now is not far from what it was last May, evidently the outlook for an immediate resumption of dividend payments is not as bright as it might be.

An indication of great potential values in the property, which after all has never had a fair chance to show what it could do on its present basis, was afforded early this year when Anaconda interests, which had been known to have accumulated substantial blocks of Greene-Cananea stock quietly, finally found representation on the board of directors in the person of John D. Ryan, while Walter Douglas, president of the Phelps-Dodge Corporation, was also elected to the board. This would tend to show that expert opinion is well disposed to the property.

As things are, however, not enough is known about the property and its possibilities to warrant any unreserved enthusiasm, though it seems to have good intrinsic values and may be expected to improve over the long pull when the copper situation as a whole looks brighter.

I believe that, broadly speaking, the good coppers are being accumulated by strong interests. But purchases appear to be made only on pronounced weakness, and the individual investor who would rather be on the safe side may well follow a similar plan.

The Outlook for the Non-Ferrous Metals

Elements of Hope in the Copper Situation—Which Way Is Silver Headed? — Contrasting Position of Zinc and Lead

By JAMES GARRISON

COPPER has probably more interest than any other of the non-precious non-ferrous metals for the investor, because there are more companies engaged in its production and their stocks are more widely distributed. The position of the metal at the present time is peculiarly uncertain, though there is little doubt that at a long range view a decided improvement is in sight.

Production is being maintained at practically an even keel, with slight tendency to increase, but for the most part the important companies are operating on a basis of 50% of capacity. The industry is well organized, and there is no attempt on the part of the lower-cost producers to flood the market with their product even though they could make money at prevailing prices. Much of the purely speculative buying which distinguished a part of last year has been eliminated, putting the industry in a stronger technical position by reducing weakly-held stocks which might depress prices.

Labor troubles among the larger consumers of copper have had their effect in cutting down their buying, but to a large extent these difficulties have been removed and prospects are that many large users will have to enter the market at the prevailing quotations, if, indeed, they have not overstayed the market. What the industry is really waiting for in the way of demand, however, is the releasing of the huge potential buying power of Europe, which has used up its excess Governmental stocks and needs more metal for its reviving industries.

The Copper Export Association formed by the larger producers is working out plans whereby the repressed demand of European consumers may become an active market factor, through the extension of credit with proper guarantees. When their plans begin functioning there is great hope for an improved copper market, which will remove present accumulations and permit of largely increased production. All this will take time, however, and it is doubtful just when improvement from this source may be expected.

The ruling high prices for silver have, of course, been a great help to the copper producers, as silver and gold to a lesser extent are by-products of practically all copper mines. It is clear, however, that the more copper produced the greater the earnings from the silver incidentally produced with it. According to the custom of most copper producers, the value of the silver sold is usually deducted from the production cost of the copper, so that in addition to the usual decrease in costs per pound as output is increased, a broadening of the market to the point where it would be advisable to increase output would enable producers to turn out more silver and so cut costs still further. Correspondingly the margin of profit would be raised, putting the industry in a highly favorable position.

In spite of the uncertainties and hesitant buying of the present, therefore, we believe the long-pull outlook for copper is promising.

Position of Silver

The silver market has shown some weakness of late, largely because of Chinese selling and slackening of Indian demand because of the legalization of the melting down of rupees. Fundamental factors are believed to be strong, however, as China will be in position to buy heavily soon with the beginning of the season of heavy exports and the internal difficulties of the country are causing the lack of confidence in any other medium of exchange than metallic silver.

The Japanese financial crisis has tended to unsettle trade in the Orient, and until the effects of this trouble are overcome silver may continue to show some flabbiness. The need of the Western countries for silver remains intense, however, and coinage requirements alone are counted on to sustain the market at not far below its present level. American buying of silver to replace depleted treasury stocks will probably also prove a stabilizing influence in the future.

As for the use of the metal in the arts, it is holding up well with the luxury buying demand, though some interference is being caused by labor difficulties. While it would not be surprising to see a decline over a period of time in this source of demand, we believe the other factors—Oriental trade, Occidental need of metallic basis for paper and of metallic currency, as indicated by the movement for lightening or debasing the silver coinage, will be strong enough to keep silver prices from falling much below their present level, if they do not raise prevailing prices.

The zinc industry is at present in one of its periodical off seasons—little demand is showing up, quotations are practically nominal, and the perennial fear of overproduction is looming up again. Some large producers of other metals are turning to zinc smelting to eke out their income, thus increasing the available supply of the metal. Scarcity of steel plates for galvanizing is cutting down one of the

chief sources of demand.

The fundamental market difficulty with the zinc industry is that it fluctuates so rapidly because of the ease with which ore can be mined, smelters put up and the metal marketed in a season of prosperity. There is a large fringe of what an economist would call "marginal producers," whose production costs will permit them to make profits only when the industry is in a strong position. When demand goes up, these producers begin turning out large quantities of the metal, and with a slackening of the demand they get out of business, dumping their stocks on the market as they leave. To some extent a tendency to eliminate this unbusinesslike competition is observable.

For this reason, the zinc business, like the proverbial little girl with the curl, "when it is good, it is very, very good, and when it is bad, it is horrid!" Profits are very large in good times, and very poor in bad times. At the present the industry seems in rather poor shape, a condition reflected in the price of its securities. With the campaign now being conducted to educate consumers to new uses of zinc, and the materialization of an expected strong foreign demand, the metal should improve materially in the near future.

Lead Market Holds Up Well

Prices of lead have been advancing for some time, without any noticeable influence in cutting down the eagerness of buyers. The situation here is very different from that of zinc, as the industry is closely controlled by two or three powerful interests which are in a position to cut down production when market conditions make it advisable and to increase output at will.

Much of the strength of the lead market has been due to the improvement in building activities, which use up much lead for pipes, glazing and the like. At the same time where new construction has been held back because of labor difficulties, high costs or other reasons, much renovation has taken place, causing a great demand for white lead for paints, red lead, putty and similar products.

The available supply has not been increased to a point where it menaces the stability of the market, while stocks on hand are being kept low by the trade activity. With labor troubles in the building trades approaching settlement and the prospects of increased construction bright, lead seems to be in a peculiarly favorable position at the present time.

The Ferro-Alloys

Vanadium is in a strong position at the present time, as are others of the rarer metals used as alloys to produce special steels, such as chromium, molybdenum, tungsten and the like. Increasing industry and the erection of new plants usually necessitates the construction of high-speed steel tools which require the use of these alloys.

Ferro-manganese is produced by a number of mining companies, often as a sideline. Prices of this material, which is of prime importance in the production of certain much-used grades of steel, have advanced considerably of late with the increase of production in the steel industry, and are now at about war-time levels.

Hecla Mining Co.

Pending Litigation Obscures Hecla's Position

Difficulty of Forecasting Attitude of Twelve Good and True Ranchers on a Question of Apex Rights

OVERSHADOWING in importance the property that Hecla Mining Company may own or the prospects it may have, is the litigation of the Federal Mining & Smelting Company, which seeks damages in the sum of $6,000,000. Several charges and answers have been published in this connection. On account of the defendants, it is charged that the suit is trifling, and it is even hinted that it was filed largely for stock market purposes. In behalf of the plaintiffs, the seriousness of the claims is upheld. Without taking any position in this controversy and even admitting the flimsiness of the suit, the litigation is likely to continue to exert an influence on the stock market until it is concluded.

Federal Mining & Smelting Company is is the owner in fee of the Russell ground, in the Coeur d'Alene district, leased with other claims to the Marsh Mines Consolidated; and the owning corporation, asserting apex rights under the Russell claim, charges that the Hecla Mining Company has taken out the plaintiff's ore to the value of $6,000,000.

After the filing of the complaint in the Federal District Court, President Pohlman of Marsh Mines Consolidated issued the following statement: "The Marsh Company does not appear as a party to the complaint, for the reason that this is a preliminary suit to quit title to the ore which apexes on Russell ground. The action is brought in that form with the ful knowledge and consent of the Marsh Company, and Federal being the owner of fee title to the property, the purpose of this suit is to establish rights to the ore, and Marsh will share in recovering from Hecla according to the terms of the lease existing between Marsh and the Federal Mining & Smelting Company."

In behalf of Hecla Mining, Secretary Hanley made this statement: "Federal Mining & Smelting Company alleges that we have mined and taken out ores belonging to them by virtue of apexing in the Russell lode mining claim. This claim is owned by the Federal and is under lease by them to Marsh Mines Consolidated. Our answer to their complaint will be made only in court at the proper time. We may state, however, that the ore involved is only what is known as the East ore-body and cannot affect the main orebody nor the Ore-or-No-Go, and that all ore mined by us has been taken from within our own lines. There is a great deal of misinformation being published on this subject, exaggerating the amounts involved and the probable effect on dividends."

Taking up this controversy, one set of mining writers attempted to show that Hecla was selling too low and Marsh too high as a result of the litigation. Another set took the opposite position. The only point that need concern us here is that litigation does not permit of intelligent analysis, because twelve good men and true, sitting in a case involving apex rights, may be good and true ranchers.

For a variety of reasons, including the low price of copper where copper is mined and the high cost of operations where anything is mined, many good mining stocks are selling at or near their low levels, with the prospect of better prices in the remote, if not the near future. The pending litigation naturally prejudices the position of Hecla, but to what extent it is impossible to decide from the facts now available. The price has declined in recognition of this uncertainty, and a majority of holders will probably prefer to see the matter through rather than sell at the current price of about 4¼. Aside from litigation, the position of the company is quite satisfactory.

ADVANTAGES OF THE MONTHLY INCOME INSURANCE POLICY

(*Continued from page* 24)

would amount to $13,300—without deducting his dividend returns, which would probably amount to between $1,500 and $2,000. Therefore, assuming that the insured lives to make all twenty deposits, his estate is guaranteed a total income of nearly $25,000 upon a net deposit of between $11,000 and $12,000.

If at age fifty the insured wishes to cancel his policy he can draw $10,036 net, exclusive of any dividends he may have left with the company. His protection during the past twenty years has therefore cost him very little.

More and more successful business men, who appreciate the value of money and the uncertainties of investments, are leaving their estates in trust and their life insurance upon a monthly income basis. Their life insurance is made safe. It cannot be assigned or attached; it cannot be drawn in advance; it is exempt from taxation. The beneficiary is safeguarded against the advice of relatives and friends and cannot be made the victim of sharpers. The insured becomes his own executor.

No hard and fast rule can be laid down to determine who should and who should not take monthly income policies. It is always a matter deserving of careful consideration—particularly as to the *kind* of income policy. There can be no doubt, however, that the majority of women beneficiaries would be better protected if they received a small amount in one lump and the bulk of life insurance on an income basis.

All inquiries addressed to the Insurance Editor will receive careful attention.

Alaska Gold
Dome Mines, Ltd.

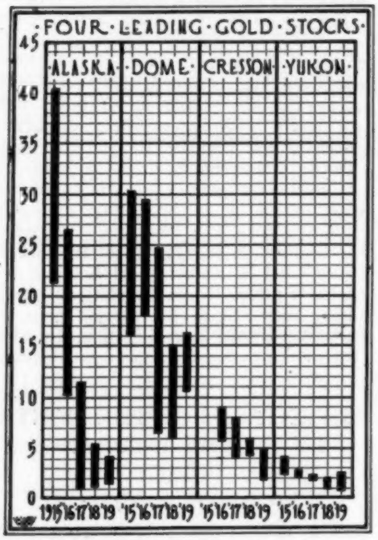
Cresson Consolidated
Yukon Gold Co.

Gold Producers Hampered by Adverse Conditions

Profits Wiped Out by Advance in Operating Costs—Immediate Relief Needed to Offset Existing Conditions in the Industry

By **HOWARD W. ALAN**

THE outlook for gold mining is by no means hopeful. The economic pressure to which the industry has been subjected during the period of the war, and since the armistice, has brought



about a shut-down of considerable productive capacity. Operating costs have advanced to a level which wiped out profits. Unless some relief of these conditions is forthcoming soon the partial suspension of operations and the production of low grade gold mining properties must necessarily continue with a corresponding decrease in gold output.

As things are now, gold companies can continue operations only so long as advantage can be taken of extracting ore already broken in stopes, or prepared for mining, on which development and breaking costs have been paid previously, either wholly or in a large part; this will no doubt lead to the recovery of the amount involved in the development and the preparation for the mining of such ore reserves.

The relief to the industry might be twofold. Either a change in the cost of production or a beneficial legislation as now proposed, consisting in imposing a tax amounting to $10 per ounce to be laid on all gold sold for use in the arts and manufactures, and the amounts so collected to be applied upon the payment to producers of a premium of $10 per ounce on all new gold produced, thereby enabling the government to subsidize the hard pressed gold mining companies.

Alaska Gold Outlook Not Especially Favorable

This company began operations in March, 1915, and possesses mining claims three miles east of Juneau covering the Gold Creek lode system of gold-bearing veins for a length of more than two miles. The principal properties lie on Salmon Creek and in the immediate vicinity of the Perseverance section. The principal mill of the company was completed in 1915, and has a daily capacity of over 9,000 tons. Owing to the scarcity of labor, especially skilled operators, and the constant increase in the cost of labor and supplies, the company's annual deficit has steadily grown. The accompanying table shows the trend of its earnings for the four years 1916-1919. The deficit reported for last year shows an increase of 25% over the preceding year and of almost 200% over 1917. The outlook for Alaska gold is not favorable, judged by present economic conditions. However, continued success of certain larger ventures reveals that it is not by any means hopeless. The company still possesses large reserves of gold-bearing gravels that can be mined profitably when transportation conditions improve, and the planned establishment of a standard gauge railway connecting tidewater on the Pacific Ocean with the navigable waters of the Yukon ought to be of substantial assistance. It is, however, doubtful whether the company will in the near future be able to show any profits on its stock consisting of $7,500,600 of $10 par value, or pay interest on its 10-year convertible debentures, due 1925 and 1926, on which interest was defaulted March 1, 1918.

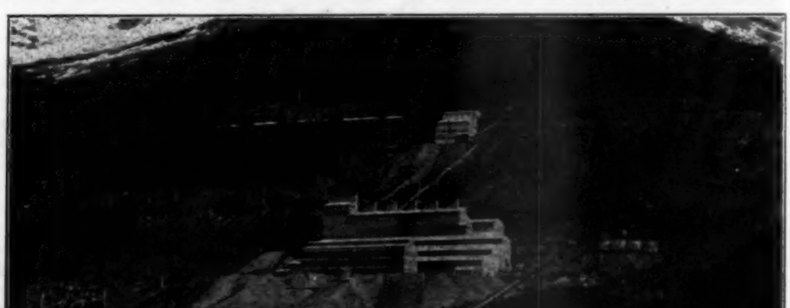
RESULTS FROM OPERATIONS.
(Annual Deficit.)

	Alaska	Cresson	Dome	Yukon
1916	$112,884	$.......	$58,138	$1,097,511*
1917	270,722	....	68,921	66,523
1918	647,974	†559,711*	172,254	575,521
1919	600,979	661,743*	455,692	1,108,684
4-year average	$403,985	....	$188,692	$238,304

*Surplus.
†Covers period January-June.

Dome Mines Has Better Days in Store

With the declaration of a quarterly dividend of 25 cents a share on the $4,000,000 capital stock outstanding of $10 par, this company seems to be making satisfactory strides. Earnings for the current year are expected to show marked improvement over the previous years during which deficits were reported. although the plant is operating at only two-thirds of capacity and with one-half the normal working force, the company is making better headway than was anticipated by its directors some months ago. Sufficient ore has been developed to keep the mill running at capacity for four years, and present development work is disclosing the downward continuation of ore bodies and the opening up of new ones of higher grade ore than obtained near the surface. At present the mill is treating approximately 900 tons daily, and the management is making efforts to bring operations up to capacity, which is around 1,300 tons. From a recent statement made by the president of the company, Dome Mines is breaking down ore which would yield a net profit at a higher operating cost basis, and very favorable developments have occurred disclosing an enormous volume of high and low grade ore with a long and prosperous future ahead. The company met also with good success in developing the Dome Extension property at levels of 600 and 1,100 feet. In view of this the value of the company's annual output is estimated at about $3,000,000, which would be sufficient to pay dividends amounting to $800,000 on the present basis. Dome



MILLS OF THE ALASKA GOLD MINES COMPANY

This company controls the Alaska Gastineau Mines, and while the scarcity of labor hampers production, the possession of large reserves of gold bearing gravels is a favorable feature

Mines, therefore, may well sell eventually at prices above the prevailing level.

Cresson Consolidated Strengthens Position

This company is just emerging from one of the most trying periods in its history. Labor conditions are much improved and development work is progressing satisfactorily. The distribution of 10 cents a share a month on the company's outstanding capital stock of 1,220,000 shares of $1 par value, made recently, will, according to a statement made by President Carlton, be continued as long as the net proceeds from the mines permit.

The company was organized in 1894, and has had an uninterrupted dividend record since 1908, the total distribution amounting to $8,000,000. It owns 49 acres on Raven Hill in the Cripple Creek district, about 25 miles from Colorado Springs, which is regarded as the greatest gold mining section ever discovered in the United States. The ore bodies of the district may be classified under two heads: first, lodes or veins; second, irregular replacement bodies. The two types produce gold and silver, the latter being of comparatively small value, also pyrite in great abundance, and occasionally other sulphides. The recent discovery of the ore chamber that has appealed to the imagination of the public because of its unusual richness and extent will no doubt react to the company's benefit and prolong the life of the mine. The stock appears to have fair market possibilities for a long pull.

Yukon Gold Profits Reduced by High Costs

Yukon gold has had its share of the adverse conditions affecting gold mining companies generally. Although all the properties have maintained their operations, high costs have materially reduced profits.

The company is controlled by the Guggenheim interests and has been in existence since 1907. It has been a good dividend payer in the past and, while general conditions brought about suspension of dividends since 1918, the company has not allowed unsatisfactory earnings to interfere with the development and extension of its properties. This statement is borne out by the important development in the Federated Malay States in Asia in connection with the production of placer tin by dredging, for which purpose an extension has been obtained for $625,000 due the Yukon Alaska Trust on February 1, 1920, to February 1, 1927. On the whole, the outlook appears to be promising in this new field of operations, and production prospects favorable.

Tonopah Belmont

Tonopah Extension

Tonopah Mining

A Mining Camp Whose Dinner Pail Is Too Heavy

Tonopah Stocks May Become a Buy After Tonopah Labor Has Taken Up a Half-Dozen Holes in Its Belt

By EDWARD GILMAN

THE Tonopah mining stocks are selling at or near their low levels, and yet the stronger companies have developed bodies of unmined ore; while silver, their chief product, is selling only a little below its record high price.

There is a cure for this paradoxical situation, but it does not lie within the power of the companies to apply the remedy. Whether a greater force will operate to change conditions, it is the purpose here to consider.

The situation of the Tonopahs is partly but not wholly analogous to that of the railroads, whose position supports the paradox that they are suffering from an excess of general prosperity. With the greatest volume of traffic in their history, the railroads have never done so badly by their security holders. But the railroads have been more or less limited as to rates, while the lid has been lifted off the price of silver.

In their last reports the companies referred to the difficulty of the labor situation in the months preceding. During that period the miners had not been discharged from their enlistments. Others had been drawn from the silver camps by the higher wages offered by copper companies.

Following the decline in copper mining, it became possible to obtain an adequate number of men, but it was not and is not possible to obtain an adequate quality. For a number of years the class of miners at the Tonopah mines has been gradually deteriorating. Most of the Americans and Northern Europeans have left and their places have been filled with Southern Europeans.

There have been two strikes within a year and others have been threatened, but practically every miner has been on strike at all times against a day's work. When the men were getting $6 for eight hours they demanded $8 for six hours. A compromise was reached on the basis of $6.50 for eight hours. Another strike accompanied by further demands was called, and the companies are now trying to work out a bonus system that will stimulate production.

TABLE I.—TEN-YEAR DIVIDEND HISTORY OF THREE TONOPAHS.

Year	Ton. Belmont	Ton. Extension	Ton. Mining
1910	$0.15	....	$1.50
1911	.90	....	1.00
1912	1.00	$0.05	1.00
1913	1.10	.15	1.45
1914	1.10	.20	1.00
1915	.50	.32½	.90
1916	.50	.47½	.60
1917	.50	.25	.60
1918	.35	.05	.37½
1919	.30	.30	.30

"It was not a question of wages and hours with us," an official of one of the Tonopah companies recently told me, "but of getting our ore mined. We would not haggle a minute over cents per hour if we could get a few more tons per hour."

This is one of the officials who has joined with others in working out a bonus system.

A Doubtful Remedy

It is doubtful whether the means will be found remedial. Tonopah labor has let out too many holes in its belt and become too fat to carry the steadily growing dinner pail. Now it is proposed to supply a larger belt and a larger dinner pail.

Except that it has a larger percentage of disturbers and loafers, I don't know that Tonopah labor differs from labor elsewhere, or, fundamentally, from other human beings. The business man, who tries to accumulate a competence in order that he may rest after he has passed his prime, takes a life view of the situation. Tonopah labor takes a weekly view.

Tonopah labor, finding that it can live seven days on the product of three days' work, works three days. Would more ore come out of the ground under a bonus system that permitted Tonopah labor to live seven days on the product of two days' work?

Several of the Tonopah mines have developed bodies of ore that it would pay to mine under normal conditions. Silver, along with other commodities, is likely to decline in price, but it is not likely to fall much below the general commodity level. Such properties are worth considering, because, other factors being right at the time, their stocks may prove to be a buy when Tonopah labor has taken up half a dozen holes in its belt.

The three principal properties in Tonopah proper, as distinguished from the Divide district, are Tonopah Belmont Development, Tonopah Extension and Tonopah Mining. There may be other mines with even better prospects, but these three are known to control large bodies of rich ore that have paid well in the past and may be expected to pay again with a return to former conditions. While the past, as a basis for forecasting the future, is less substantial with mines than with other forms of industry, these three have a fair history. It is worth noting that their operations, when confined to Tonopah, have been more successful than when they have used their surpluses to exploit prospects in other, and frequently remote fields.

Tonopah Belmont

The Tonopah Belmont Development Company, which is capitalized for $1,500,000, divided into shares of $1 par value, had an unbroken dividend record from

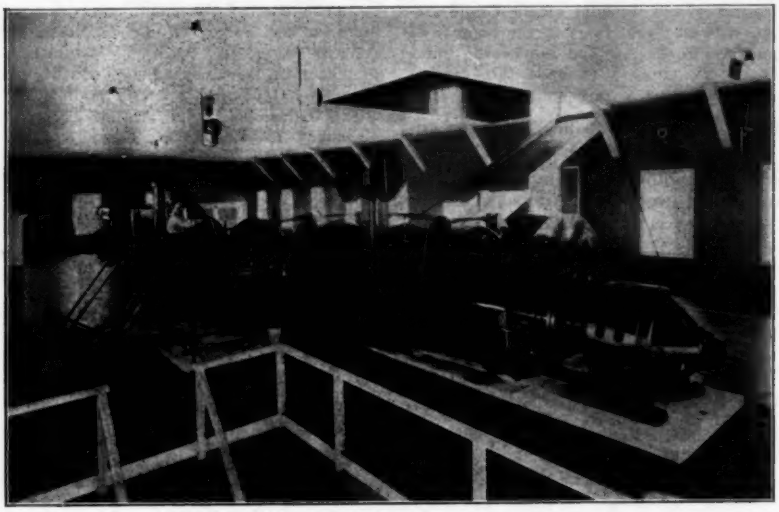
1906, except the years 1908 and 1909, until the first quarter of this year, when the declaration was withheld. During the fourteen years from 1906 to 1919, inclusive, the company paid aggregafe dividends of $6.80 a share, equal to about 340% on the present price of the stock. Including the two years in which no dividends were paid, this is at the annual rate of nearly 50 cents a share. From the time of organization, the original investment was returned in dividends nearly seven times.

For the year ended December 31, 1919, the company reported net profits after Federal taxes of $569,806, equal to 37.9 cents a share, compared with $557,983, or 37.1 cents a share, for the ten months ended December 31, 1918, the company having changed its fiscal year in the interval. The projection of the ten months' rate to a year would indicate 44.5 cents a share compared with actual earnings of 37.9 cents for the year 1919, a decrease of 6.6 cents a share.

Indicating the extent to which the labor situation affected this company, production costs increased 15.34 cents per ounce, while the average price obtained for silver increased only 10.41 cents. At the same time, the volume of production diminished.

The indicated reserves at the beginning of this year consisted of 112,133 tons of positive ore, compared with 82,798 tons on January 1, 1919. Adding the ore mined in 1919, shows 117,683 tons of ore developed during the year. At the recent rate of mining, the company began the year with about fourteen months' reserve developed.

The Belmont Surf Inlet Mines, Ltd., 80% of whose stock is owned by Tonopah Belmont Development Company, reported net profits for 1919 of $320,384, with ore reserves of all classes on January 1, 1920, amounting to 489,258 tons, compared with 422,761 tons at the beginning of the preceding year. Several of Tonopah Belmont's other investments, including California gold properties and Nevada coal properties, have yielded nothing to date.



THE ENGINE ROOM OF A MINE
Showing the shaft-operating machinery on Tonopah Extension which property mined 114,921 tons of ore during the past year

Tonopah Extension

The Tonopah Extension Mining Company, with $1,282,801 issued capital divided into shares of the par value of $1, paid $2.10 a share in dividends from 1905 to 1919 inclusive, and is the only one of the three companies that has paid a dividend this year. No dividends were paid from 1907 to 1911 inclusive, but payments were made in all other years of the fifteen-year period. Including the lean years, the average annual rate has been about 14%, although in the whole period the original investment has been returned more than twice.

For the year ended March 31, 1919, the company reported net earnings after Federal taxes but before depletion of mine of $537,100, equal to 42 cents a share, compared with $230,332 for the preceding fiscal year, equal to 18 cents a share. Earnings for the quarter ended with June were running at the annual rate of about 60 cents a share, when labor troubles recurred and operations were curtailed to such an extent that the company in several months succeeding reported no revenue.

The company mined 114,921 tons of ore in the last fiscal year for which it has reported, but the nature of the ore bodies precluded any accurate measurement of ore in sight. With respect to reserves, however, it was said that the supply was normal. Since that time, the company, on account of labor troubles, has not been able to prosecute development work as heretofore. On the other hand, ore has not been exhausted at the same rate as formerly.

Tonopah Extension controls by far the largest area in the district, and particularly in the western part of the district, toward which development is tending. Its dividend history is not so attractive as that of the other two companies, but it is the only one of the three whose recent operations, so far as it has been able to operate at all, have carried it into better ore.

Tonopah Mining

Until this year, the Tonopah Mining Company had declared dividends without interruption from the beginning in 1905. In the fifteen-year period it paid an aggregate of $14.87½ a share on the 1,000,000 shares of $1 par value, or an average annual rate of nearly 100%. Thus, the original investment has nearly been returned each year since 1905; and during the entire period has been returned nearly fifteen times. On the present price of the stock, the average annual rate of dividends for fifteen years is about 57%. In the first quarter of 1920 the company passed the dividend.

Tonopah Mining controls a good many outside properties in addition to its Tonopah workings. These include $283,400 preferred stock and $988,700 common stock of the Tonopah & Goldfield Railroad, 83% of the stock of the Tonopah Placers Company, $30,000 stock of the Esmeralda Power Company, 555,000 shares of the Eden Mining Company, 92% of the stock of the Tonopah Nicaragua Company and about 92% of the stock of the Tonopah Canadian Mines Company. For several years the company has not segregated the sources of its income, reporting only net available for dividends. In view of this course, it can only be assumed that there is some good reason why the stockholders should not know as much as the directors about these outside investments.

For the year ended December 31, 1919, the company reported net income applicable to the stock of $402,206, equal to 40.2 cents a share, compared with $782,061, equal to 78.2 cents a share, for the preceding year. For the six months ended February 29, 1920, the report was fuller. Net loss on mining operations for the period was $39,700, but miscellaneous income of $62,092, converted this loss into a net income of $22,392. This is at the annual rate of 4.5 cents a share on the stock. The report shows further that miscellaneous income, provided there was no loss on Tonopah mining operations, would be at the annual rate of 12.4 cents a share on the stock.

The history of these three companies indicates that, under normal conditions, something may reasonably be expected of them in the future. As far as the labor situation is concerned, I believe that the causes underlying the trouble are too fundamental to admit of correction or relief through any efforts on the part of the various managements. When the supply of labor becomes sufficiently abundant to cause the average laborer to prize rather than depise his job, I think there is little doubt that these three companies will do better. At present there is no immediate prospect of relief, and, meantime, the stocks seem more likely to sell lower than higher.

Alaska's Future

James J. Hill, the great empire builder of the Northwest, had faith in Alaska. Discussing the future of this country, Mr. Hill once said:

"Alaska will be covered with a network of railroads; the country will be dotted with arms just as Minnesota is. I only wish I were a young man so I could start building them."

American Zinc, Lead & Smelting Co.

Fluctuating Fortunes of Country's Third Largest Zinc Producer

American Zinc Now in Period of Depression—Unusual Features of the Preferred Stock—A Comparison of Asset Values and Prices

By ELI S. BLAIR

THE American Zinc, Lead and Smelting Co. has had as varying a record of earnings probably as any corporation in existence. In 1913 it showed a deficit of almost $1.50 a share; two years afterward it earned almost 55% on the common, and the year after that nearly 140%. The following year its earnings declined sharply to 11%, and for 1918 and 1919 it has shown increasing deficits.

The reason for these unreasonable fluctuations of course is the nature of the zinc industry, which in the past has become accustomed to a cycle somewhat as follows: A great demand for the metal, increased production, accumulation of large stocks, slackening of the demand, overproduction, dumping of stocks on the market, breaks in the price of the metal, depression in the industry, the working off of the stocks, exit of the smaller producers, demand for more metal, and the cycle is repeated again. At the present time the industry appears to be about in the position where the accumulated stocks have been worked off and the demand is ready to reappear.

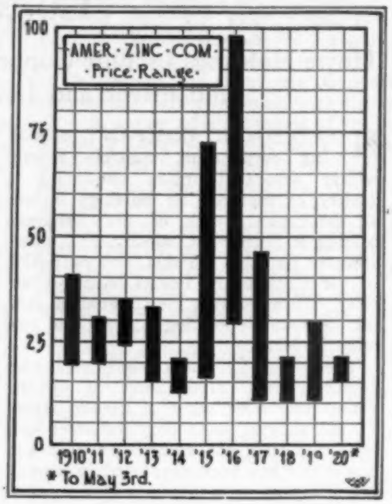
American Zinc is about the third largest producer of the metal, with by-products such as pig lead, zinc oxide, and sulphuric acid. In its property account are included 32,160 acres in the Joplin district of Missouri, a smelting plant in the gas belt at Caney, Kansas; the Mascot property in Tennessee, territory in Wisconsin completely equipped, a smelting plant and by-product plants in Hillsboro, Illinois, and various patent rights, together with the right to use the Minerals Separation Co. flotation process.

It owns all the outstanding stock of the American Zinc Co. of Tennessee, the American Zinc Co. of Illinois, the American Zinc Ore Separating Co., and the American Ballast Co., as well as 649,774 out of the 925,000 shares of par value of $1 each of the Wisconsin Zinc Co.

The Granby Purchase

In 1916, the year of its greatest earnings, the company followed a far-sighted policy by sinking a goodly part of its unexpended profits in the purchase of the assets of Granby Mining and Smelting Co., which included 30,000 acres of mineral lands in the Joplin district, 10,000 acres of coal lands in Illinois, a coal zinc smelter near East St. Louis, Ill., and a gas smelter at Neodesha, Kansas; a lead smelter at Granby, Mo., and all the quick assets.

The official purchase price was $8,000,000. An examination of the balance sheet of the company shows that this purchase was consummated without decreasing cash or any of the liquid assets of the American Zinc Co., while reserves and surplus instead of diminishing nearly doubled. At the same time the property account was increased, as was fitting, by nearly $7,500,000, representing the valuation of the physical assets of the new property thus acquired, with some deduction for depreciation. By what financial magic this feat could be achieved appears to have been as follows:



In the first place, $2,000,000 was chipped off the $8,000,000 of purchase price by American Zinc's assumption of the first mortgage bonds of the Granby company. Second, the net quick assets obtained by the purchase amounted to some $2,750,000, of which some $1,000,000 was cash. Third, of the $7,301,960 which was the company's net income for 1916, it appears that $2,680,649 were paid out in dividends, including a 50% stock dividend on the common, of which more later. The amount carried to surplus was only $2,331,319, leaving a difference of $2,299,992, all of which seems to have gone into the Granby purchase.

That Unusual Preferred Stock

In 1916 also the company issued the 50% stock dividend referred to above. For this purpose it created a new class, the preferred stock, and gave it most unusual privileges. For instance, while it has a par value of $25, it pays $6 annually, or 24%, and is cumulative. The stock is preferred as to assets as well as dividends, and in the event of liquidation or redemption is entitled to receive $100 a share. With certain limitations, it has the same voting power as the common.

As the preferred stock is one-half of the common outstanding, its requirements amount to $3 a share on the common, or more than the common earned in any year between 1909 and 1914. As far as earnings go, therefore, the creation of this new class of stock has been a disadvantage to the junior stock, and the same applies to asset values, as for each share of preferred stock $100, or four times the par value of a share of common, have to be deducted from net assets.

For all practical purposes, therefore, the preferred stock, nominally of $25 par

DRILLING OUT ZINC ORE

This mine at Mascot, Tennessee, is one of several valuable zinc properties controlled by the American Zinc, Lead and Smelting Co., through ownership of the outstanding stock

value, is a $100 par value stock, additionally fortified by statutory provisions. The retirement of the preferred has been often considered by the company, but the price will have to be fairly low to make such a proceeding worth while. As things are, the stock is a great burden on the common.

The way it has worked out marketwise is as follows: Between 1910 and 1913, when the property of the company was valued at considerably below $5,000,000, the stock sold above 30 each year, and in 1910 as high as 40½. In 1918, when the property was valued at over $11,500,000, the highest it reached was 21⅜, and the following year, with about the same valuation for the property, the high was 29. In other words, the Granby acquisition, in spite of the favorable terms on which it was secured, seems to have benefited the common not at all, because of the asset and earnings requirements of the preferred.

AMERICAN ZINC, LEAD AND SMELTING.

	Earned per Share	Paid per Share
1910	$2.29	$1
1911	2.23	2
1912	2.03	2
1913	1.13	.50
1914	.38	—
1915	13.78	—
1916	34.88	12.50*
1917	2.77	2
1918	.66	—
1919	3.44	—

*In preferred stock.

At the same time, good values have been built up behind the common, reserves having been increased from practically nothing in 1913 to over $5,000,000 in 1919, while surplus increased from $79,678 to $3,695,152. After deductions for the preferred, we find a net asset value of over $32 per share of $25 par value.

Earnings, however, have been going very badly for the last two years, as the company has found difficulty in disposing of its stocks of metal. Last year's showing was an actual operating deficit of $19,226, to which was added $451,304 from the sale of the stock of the Carson Hill Gold Mining Company received as a bonus in connection with a loan made by American Zinc. In this way $5.36 was showed earned for the preferred, but this does not include deductions for depreciation,, taxes and the like, and bond interest. With these factors included, a deficit of almost $2 a share on the preferred was shown in 1919, for the first time since its creation in 1916, compared with earnings of $3.70 a share in 1918, and dividend payments of $6 in each of these years. Current earnings indicate that one-third of the preferred dividend requirements are being met.

The financial policy of the company, therefore, could not be classed as of the most conservative, from the inception of the preferred with its unusual privileges to the continuance of dividend payments for two successive years when not earned. We find also, that in 1913 the company paid 2% on the common when a deficit of 10% was sustained, and that the 8% dividends of the two previous years were earned by the narrow margins of 0.10% and 0.90%, respectively. In other words, the company is still living on its prosperity of 1916, a year of remarkably good fortune for the metals producers, whose record is not likely to be repeated because of the unusual conditions which caused it—reckless war-time Government expenditure, meaning a demand for the limit production at almost the producer's prices.

To meet even the preferred dividend requirements would need a big improvement in the zinc industry. While it is true that the zinc industry should improve considerably from its present state of depression, it is of course an open question when the improvement will occur or how far it may go. On the other hand, the technical position of the stock is good and prices have discounted a good deal of adversity, and the time to buy zinc stocks is, naturally, when the industry is at its worst.

Howe Sound Co.

A Conservatively Managed Holding Company

Howe Holdings Include Copper Properties in British Columbia and Silver and Lead Mines in Mexico

HOWE SOUND COMPANY, a holding corporation, controls several widely separated mines embracing a variety of metals. Its holdings include all the capital stock of the Britannia Mining & Smelting Company, Ltd., operating in British Columbia, and over 80% of the stock of El Potosi Mining Company, which controls the Chihuahua Mining Company, operating a silver and lead mine in Mexico.

The British Columbia copper properties comprise about 20,000 acres of mineral claims and 4,365 acres of timber rights. Of the mineral lands, only 100 acres have been explored, but within this area sufficient ore has been developed to provide the company with a ten-year reserve at the 1918 rate of production. Broken ore in the stopes on December 31, 1918, amounted to 1,581,641 tons, against 731,016 tons delivered to the dumps, and averaging 3% copper. Reserves in place on the same date amounted to 8,205,755 tons, averaging 2% of copper. Recent development work has resulted in opening new bodies of ore, as looked for, but of higher mineral content than was expected.

Operations at El Potosi mine, like most similar properties in that country, have been curtailed by the revolution and general disorder. With the reopening of the Chihuahua smelter, shipments, which were temporarily consigned to El Paso, were increased.

Development work at the mine has supported previous estimates and in some instances showed that the estimates were too conservative. New bodies were encountered and other bodies, supposed to be separate, were found to be continuous. A new iron sulphide body and a deposit of lead sulphide, both of unexpected size and richness, were encountered.

Shipments in 1918 included 73,883 tons of lead carbonate, averaging 14.92 ounces of silver and 4.44% lead; 20,014 tons of lead sulphide, averaging 21.49 ounces of silver and 8.65% of lead; 48,061 tons of iron sulphide, averaging 36.31 ounces of silver and 1.88% of lead.

Howe Sound has outstanding $1,984,150 capital stock divided into shares of $1 par value and $4,573,000 6% bonds due in 1936. Reserves and surplus as of December 31, 1918, were nearly $8,300,000. The company reported only 22 cents a share earned in 1918, as against 20 cents paid in dividends, but the charge for depreciation of plant and depletion of mine was equal to about 80 cents a share.

No doubt can be entertained of the value of the investments, the ore reserves and the undeveloped property behind this stock, but, quoted at 3⅝@¾, the price has probably discounted in part any dividend increase. As neither the British Columbia copper operations nor the Mexican silver and lead operations are on a normal basis, it is not unreasonable to expect this dividend increase with a return of better operating conditions. Meantime, the accounts show that the management is following a very conservative policy.

CZECHO-SLOVAKIA'S GROWING IMPORTANCE

(Continued from page 7)

republic's ability to meet her financial obligations, both external and internal as well. It is therefore surprising to note how little advantage is being taken by Americans of the present low rate of exchange (only about 9% of the prewar value), for the purchase of Czecho-Slovak goods. Woolen and cotton manufacturers are anxious to exchange finished products for raw materials, or to make raw materials into the finest finished products. Possibly investment in real estate and industrial plants invite attention of American capital also of considerable help should prove the establishment of a bank of the Czecho-Slovak Republic, with a capital of 75,000,000 francs in gold, divided into 75,000 shares of 1,000 francs par value. The government will take 25,000 shares and will have three representatives on the board of directors, while the stockholders will elect the remaining six. The bank will receive a charter running for 20 years, and the notes issued will be covered up to 33% by gold. Since the capital must be paid in gold, most of the stockholders are expected to be foreigners.

Simms Petroleum—Correction

Under the heading "The Situation in Simms Petroleum," on page 8a of our May 1 issue, it was stated: "The Simms property is now selling in the market for $315,000,000 . . ." This should, of course, have read $15,000,000.

President Rea on Prospects of Pennsylvania Railroad

Dear Sir:

My attention has been called by some of our stockholders to the recent articles appearing in your Magazine on the future prospects of the Pennsylvania Railroad Company, the latest being in your issue of April 17th headed "Pennsylvania Railroad—Prospects Not Improving." I beg to say that the position taken by the writer of these articles is very misleading and it seems to me they needlessly disturb some stockholders, a great many of whom are women, and also others who in the last few years have become stockholders in the Company, which has paid a return on its stock for 74 years consecutively. The stockholders now number 122,921 compared with 109,419 a year ago.

The articles are based on operations under war conditions, and with rates that were totally inadequate to meet the increased cost of operation, or the wages and material costs. Since 1916 the roads in Official Classification Territory have had increases in rates averaging about 36%, while the increase in the cost of operation and taxes has been about 99%. It is therefore no wonder that for the years 1918 and 1919, 66 principal railroads in the Eastern District, out of a total of 80, earned considerably less than one-half of their standard return under the Government contract, or looking at the country as a whole that 151 out of a total of 203 principal railroads were in a similar condition. As a result, most of the railroads are depending upon the United States Treasury, through the guaranty, to pay their fixed charges and dividends. They will be in that condition until rates are adjusted to cover their war costs, and permit a moderate return on the investment as authorized by the Transportation Act.

Unfortunately, the writer of these articles omits all reference to the constructive measures which Congress has authorized through the new Transportation Act to remedy that situation, and thus erroneous impressions are bound to be created. One might properly assume from the articles that the railroads had been returned by the Government in their present condition without any protection as to the future, and with their financial position very materially weakened as the result of Federal control; whereas, as a matter of fact, the new Transportation Act guarantees to the Company for the six months ending August 31, 1920, the compensation on the same general basis as was paid during Federal control, which enabled the Company to pay its regular dividend of 6% and have a surplus.

In addition to that—and perhaps of greater importance—the Transportation Act authorizes the Interstate Commerce Commission, for the period ending March 1, 1922, to fix rates that will yield for the railroads as a whole, or by regions, 5½%—and in its discretion ½% additional— or 6% on the property value of the carriers as determined by the Commission, and they are now actively engaged on this work. This means the fixing of rates for transportation at a point that will yield a higher return than the Pennsylvania System has been able to earn (with the exception of one year) since 1909.

When you take into consideration the fact that our Company, by reason of several generations of conservative financing, has maintained its dividend rate with a return on its property investment as low as 4.02% in 1914, it is fair to assume that the present 6% rate of dividend and some surplus should be earned under competitive conditions with rates that will yield 5½% or 6% on the fair value of the railroad properties, whether that rate is fixed by the Commission for a region or for the Country as a whole.

We believe the Interstate Commerce Commission will co-operate with the carriers in a fair administration of the new Transportation Act, and I think that our stockholders have reason to feel just as hopeful over the outlook for the future as those of any other railroad company. Indeed, with the Transportation Act made effective in a constructive manner, the railroad security and stockholders are afforded definite protection not possessed by any other corporation in this reconstruction period.

As your articles were given rather wide publicity, I would be obliged if you would publish this letter in the next issue of your Magazine.

Yours truly,

SAMUEL REA,
President.

BRITISH DOMINATION OF WORLD'S OIL INDUSTRY

THE oil industry in general has recently been given material for a little quiet amusement in the following statement attributed to Sir E. M. Edgar in a recent issue of the London *Times:*

"I should say two-thirds of the improved fields in Central and South America are in British hands. The Shell group owns exclusive or controlling interest in every important field in the world —in the United States, Russia, Mexico, Dutch East Indies, Roumania, Egypt, Venezuela, Trinidad, India (where, in conjunction with the Burmah Oil Co., it dominates the local position), Ceylon, Malay States, North and South China, Siam, Straits Settlements and the Philippines. What it comes to, therefore, is that, with the exception of Mexico and, to a less extent, Central America, the outer world is securely barred against an American invasion in force. The British position is impregnable."

The British government, Sir Edgar is further quoted as saying, acted with shrewd foresight when it acquired a majority interest in the ordinary shares of the Anglo-Persian Oil Co., whose concession for the oil in Persia has still forty-one years to run.

Comments concerning the accuracy of the above statement on this side of the water vary only in degree of emphasis. Nobody seems to have any idea of agreeing with Sir Edgar, nor even of subscribing to more than about one-tenth of what he says. All authorities here apparently agree on the absurdity of the proposition that Great Britain, after floating to victory on a sea of American oil only a few months ago, could have reversed her position to such an extent in the short time intervening as to now occupy a predominant position, or anything like it, in the business of producing oil.

Sir Edgar's chief point, in the statement attributed to him, dealt principally with the ramifications and innumerable oil producing interests of the "Shell group"—that is, we suppose, the holdings of the Royal Dutch-Shell combine. Most investors are vaguely familiar with the hugeness and all-embracing scope of this organization, and there is no intention here to belittle or underestimate its magnitude and importance. There is no doubt, to put it more concretely, that the "Shell group" owns important interests in practically every large producing field in the world (please note choice of words); but when the claim is advanced that the Shell crowd owns "exclusive or controlling" interest in "every" important field, the imagination balks, and one does not even feel it necessary to look up the figures before saying confidently, "It is not so!"

Turning to such figures as are available, however, out of respect to Sir Edgar, the following facts, reliable and accurate so far as can be determined, come to light:

In 1919 a total of about 376,000,000 barrels of oil was produced from the operating fields of the United States. In addition, some 53,000,000 barrels were produced in Mexico, making a total from the two countries of 430,000,000 barrels in round numbers.

The last available production figures of the Royal Dutch-Shell combination appearing in the 1918 statement of the combine show the following amounts of crude produced in that company's name from its various holdings throughout the world:

Country.	Barrels.
India	12,802,062
Sewarak (Persia)	499,562
Egypt	2,078,950
Russia	3,075,570
United States	10,050,170
Mexico	7,500,000
Total	36,006,314

The Shell production from Russia and Roumania was, of course, not maintained at the usual rates owing to the war. To revise the foregoing figures on production from these sources, therefore, it seems fair to use the figures for 1916, when Royal Dutch produced about 15,000,000 barrels, or about 12,000,000 barrels more than shown in the above statement. Adding in this extra 12,000,000 barrels, we find that Royal Dutch and Shell holdings are capable of producing about 48,000,000 barrels—or a trifle above 10% of the amount produced in the United States and Mexico.

It should be borne in mind that the English interests have just been awarded control of the Baku field in Russia which, next to the United States, is rated as the largest potential producer in the world.

Furthermore, there is always the possibility that the true extent of the Shell holdings throughout the world may not thus far have been made public. But, even granting Sir Edgar these avenues of explanation, there seems no justification, either in the facts or the probabilities, for the statement he is reported to have made.

While we are on the subject, the following statement made by Mr. H. D. Frueauff, of Henry L. Doherty & Co., is to the point. Mr. Frueauff just recently returned from an extended trip abroad. He says:

"So far as competition is concerned, it is true that they are talking in England about the development of the oil resources of the British possessions, but it must be borne in mind that American concerns are not asleep and are at work wherever oil is found, in Asia, Africa, South America, as well as in our own country. It is well recognized in England that they must turn to America for leadership in the oil business. When England wants experts, geologists, technical men of all sorts, she comes to us. It is noticeable, too, that in the British flotations of oil properties there is apt to be an American interest, a refinery or something of that sort connected with the proposition."

SMALL PURCHASING POWER OF WAGES CAUSES LABOR UNREST

Edward A. Filene, U. S. Chamber of Commerce, Describes "Vicious Circle"

"This underproduction by which the world is threatened at present is in part due to the war. It is due largely to industrial unrest. There are many causes for industrial unrest, some a necessary part of the cost of the war that can be only cured with a lapse of much time, others due to preventable and curable causes. Among these latter is the industrial unrest caused by ineffective wages. Although wages have doubled since the war, industrial unrest continues or even increases. There are two main reasons for this.

"One, prices of necessities have increased at least as fast as wages. Two, the demand for luxuries by wage earners has greatly increased.

"We have here a vicious circle—high wages make high prices, which in turn force high wages, which in turn force higher prices.

"It becomes clear that the problem is not only how much wages we pay, but how much those wages will buy. Business men must in the future give much more attention to this problem if industrial unrest is to be diminished and production to increase."

LOOKING INTO THE FUTURE

It should be kept in mind that the character of service tendered the public by the railroads during the next few years will determine very largely whether or not private control and operation of the railroads is what the public really wants. This is our opportunity to render real service—let us not fail in this.—*New York Central Magazine.*

Caddo Central Oil & Refg. Corp.

Revised Estimate of Caddo Central's Earnings

IN the April 17th issue of the MAGAZINE, page 875, an earnings estimate for Caddo Central Oil & Refining Corp. was presented, based upon statements of operations of the Caddo Oil & Refining Co. (taken over by Caddo Central) for the three months ended March 31, 1919. President Dunham has called our attention to the fact that earnings for 1920 are considerably in excess of the income for 1919.

Earnings the first three months of 1920, owing to increase in the company's operations and the advance in oil prices, ran at the rate of about $1,715,740 a year (according to President Dunham's statement). From this must be deducted increased interest charges amounting to about $408,240, sinking fund requirements of about $513,000, and $120,000 representing the first equipment trust instalment due August 10th, leaving a balance of about $674,000. The company's new refinery will open August 1st or sooner, however, and earnings from this source for the five months of 1920 are estimated by the company at the rate of about $330,000, so that estimated total earnings available for dividends for the year 1920 may be figured in round numbers as about $1,000,000. Depreciation or depletion is not deducted, but this is in part taken care of by the large contributions to sinking funds (totalling $513,000, part of this amount representing 20% of estimated net income). The $1,000,000 net would be equivalent to about $7 per share, or $5 a share if the 50,000 new shares recently authorized are issued in 1920.

The company expects future earnings to run considerably in excess of this figure, however, as income from the new refinery will, it is estimated, run at $800,000 or more annually, and new operating plans are expected to yield about $1,000,000 additional net. This is apart from the natural growth of the company due to development work. Only about 8% of its acreage, most of which is in the Caddo field of Louisiana, has been developed as yet.

Several erroneous statements were made in the April 17th article in reference to a description of the property. These statements were based upon figures taken from sources which we believed to be accurate. However, we are glad to make such corrections as are necessary, although they do not greatly affect the general conclusion contained in the last paragraph of the article referred to. The capacity of the old Cedar Grove Refinery was stated to be 2,000 barrels, whereas the present daily average production is 3,000 barrels. The number of tank cars was understated; the company has recently acquired under the equipment trust plan a large number of new cars, making the total number owned and leased 695. Funded debt, including the new issue of Equipment Trusts, now amounts to $7,024,000, instead of $7,500,000, as stated, and interest at 6% equals $421,440 annually. Acreage of the company, given as 32,858, included only the land owned in fee in the Caddo field; the total owed and leased acreage held by the company is stated to be in excess of 65,000.

Future earnings from the new refinery are estimated by the company at $800,000 (figuring net at 65c. a barrel). Our estimate was based upon a net profit of 25c. per barrel, whereas President Dunham states that the company's refinery operations for 1920 indicate a net profit of 85.7c. per barrel. The latter figure seems very high as compared with profits secured by other companies.

We have not had access to the detailed figures on refinery profits, but are glad to give publicity to the company's statement.

NO SINGLE AGENCY CAN RESTORE RAILROAD EFFICIENCY

Task Is One to Tax Best Efforts of the Entire Community

Referring to the pressing need of restored efficiency in the country's transportation facilities, E. A. McCarthy, of the Hyatt Roller Bearing Co., says:

"The railroads are the arteries through which the very life blood of the nation flows. These arteries are hardened, they no longer expand, the blood pressure is high. Goods can not be freely transported from one section of the country to another, and as a result of this our whole industrial system is out of joint.

"The only way to compensate for the deficiency is to speed the flow of products through the available channels. It is up to the traffic men—both with the railroads and with private corporations to accomplish this. It is their duty to judiciously apportion material and transportation equipment—to protect both buyer and seller, to use every piece of equipment to the greatest possible advantage, to safeguard the public interests—always observing the basic economic rule, 'the greatest good to the greatest number.'

"It is a 'man's size job.' It is an unending job. Conditions are serious—if we give up to them they will immediately become disastrous!

"More work, more thought and less talk are needed. High-brow legislation will not change the economic condition. The problem is practical rather than political. We have no time to spend in proving who is to blame. It's a question of making the best of things by putting forth constructive effort and real 'sweat.'

"Traffic men cannot remedy the situation single handed. Others must do their share. The dealer in farm machinery should have a clearer understanding of the problems that confront the manufacturer and the farmer should appreciate the dealers's efforts to supply his needs. The public as a whole should maintain a liberal minded attitude towards the railroads."

Trade Tendencies

Prospects of Leading Industries As Seen by Our Trade Observer

Steel

Congestion the Feature

AS the railroad situation has become worse the steel trade has suffered, the transportation difficulties being felt all along the line from the coke and iron producers to the exporters of finished steel products. A general backing up of products for lack of transportation facilities has resulted in production cuts, till the industry is now estimated to be on a 60% basis as a whole.

In raw materials the scarcity of immediately available stocks and the difficulty of carrying to their destination what stocks there are have stiffened the market, quotations having advanced in many cases. The quoted prices are purely nominal in most instances, however, as few of the producers are in position to quote for any reasonable length of time ahead and no large sales have been reported. Most of the current business is being done by small producers and resale agencies.

Iron production has been cut by some 20 or 25%, and is still showing a declining tendency, many furnaces being banked because there is no assurance of sufficient coke to keep them going. Iron prices have gone up in the past week by about $2 to $3 a ton, with prospects of further advances, especially if any kind of freight rate increase is awarded the railroads.

Coke output is very low, many plants having piles as large as the plant itself accumulated which the railroad congestion does not permit them to move. Proportionately, prices have advanced further than in the case of iron or steel within the past few days, but the outlook for future advances is not so decided, because of the large amounts of accumulated stocks known to be awaiting the release of the market and because of the great new production which can be put into play as soon as there is some possibility of moving large amounts of coke by rail.

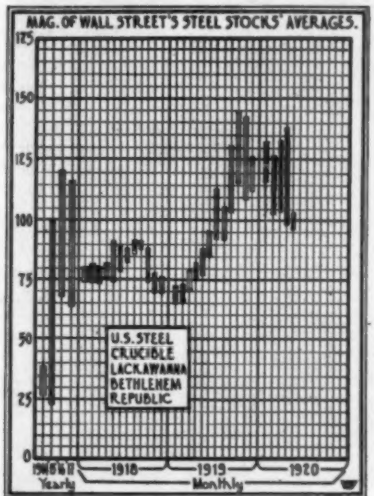
The motor truck has been called in to a large extent to take the place of the railroads, but of course the total amount of bulky commodities that can be carried in this way is comparatively small in view of the amount waiting for movement. It is nearly all emergency business that is being moved in this way, particularly automobile supplies.

Export Outlook

In the meantime a large export demand is piling up, to which little attention can be given in the present state of the domestic market. In spite of the Japanese collapse, shipbuilding supplies have maintained their former activity in the export market, and sheets as well as plates are in strong demand. Harbor strikes in European ports are cutting down a good deal of export activity, but the under production in Europe is so great that any source of supply would be welcomed.

English iron and steel works are suffering from transportation difficulties almost to as great an extent as ours, and the Lorraine district is reporting poor production because of insufficient supply of fuel. Under these conditions a good deal of export speculative activity in small lots is being manifested, although the foreign market could take a good deal more.

The prospects are for a maintenance of the great strength of the steel industry for some time longer, in fact probably to the end of the year, considering how far ahead orders have been booked. As the export market is unusually strong and almost denuded of supplies, it is hardly likely that anything like overproduction could possibly take place in the steel industry of the United States this year. Accordingly, the steel companies appear to be in a particularly strong position, and it is almost certain that their earnings will be larger this year than last. Their profits will be limited only by their ability to produce, which in turn appears to depend considerably on a solution of the problem of carrier congestion. The first signs of a restoration of railroad service to normal, therefore, would be the beginnings of almost spectacular prosperity for the steel companies.



To May 6.

Cotton

The Market Advance

The continuing strength of the cotton market in face of the demand for lower textile prices reveals an interesting situation, wherein technical conditions and the actual demands of the dry-goods market point to sharply different conclusions. From the technical point of view, we find a late start, unfavorable weather conditions in some districts, small spot supplies, a labor shortage in the South, and a fair-sized short interest, particularly in the further months. On the basis of these factors the conclusion from the cotton trader's angle is that prices are bound to go up still further.

Observers of the cotton goods trade, however, lay great stress on the increasing tendency on the part of the public to fight price increases. They point to the decreasing demand, particularly for the better grades of cotton, and to the stocks which are beginning to accumulate to an unpleasant extent in retailers', wholesalers' and manufacturers' hands. On the basis of these conditions they predict that a downward price revision is in sight, beginning with the retailers and reaching all the way back to the cotton planters. Of course the theory of the bulls is that technical conditions will keep raw cotton firm, and that as far as prices are concerned this strength will be communicated all the way down the line.

This assumes, however, that present margins of profit will be kept up, and that nobody connected with the cotton industry, from manufacturer to retailer, will ever take a loss. This is true only when the demand is strong enough to sustain the market if the present unwillingness to buy on the part of the public keeps up long enough, we see nothing to sustain the trade or prevent a downward swing that will eventually reach all the way back to the raw cotton.

World considerations of supply and demand, of course, strongly favor the bullish element, as there is no doubt that Europe will be in better shape to handle this year's crop than last year's, reconstruction having progressed somewhat in the meantime, at the same time little of a holdover is expected from the 1919 crop compared with that of 1920, and this year's crop is not expected by the most optimistic to be very much of an improvement over last year's.

Analogies are being pointed out between the position of cotton and that of silk, whose drop of recent days has been phenomenal. The fact that silk is more of a luxury does not weaken the force of the comparison, as much of the buying of cotton products has been of a luxury character, to the extent at least that much of it could be dispensed with by the consumer.

Europe may have to buy, ultimately, more than she is now buying, but there is little doubt but that purchases of American cotton will be cut to the bone, in view of the foreign exchange situation. From the standpoint of luxury versus necessity, it is a question if Europe cannot get along on about the amount of American cotton she is using now, and if this is the case, it does not seem very likely that she will increase her purchases to the point where luxury buying enters in more or less.

While the present strength in cotton may be maintained for some time, therefore, we believe that the longer term

(Continued on page 45)

How I Handle My Own Funds

The More Thoroughly You Investigate an Enterprise, the More Sound Becomes the Basis for Your Judgment

By **RICHARD D. WYCKOFF**

MANY years ago there was a stock dealt in on the New York Curb called Arlington Copper. The "mine" was said to be over a hundred years old and, with the modern methods which could be applied to the low-grade ore in the property, the promoters claimed they would be able to make a very big profit.

The seat of this operation was at Arlington, N. J., a small residential town just across the meadows from Jersey City. One could step on an Erie train and be there in twenty minutes. He could have seen a lot of old workings, and a lot of rock that was pointed out as ore. The round trip might have cost a dollar and occupied three hours.

Did any of the people who eagerly purchased the stock on the Curb take a trip over to Arlington to see what they were buying? They did not. They were "too busy," or they had to be home at 6.30, as they had a "dinner engagement." Possibly their meal time or their evening's social affair was more important than the many thousands of dollars which they put into this stock, but in any event Arlington Copper passed away as many "good things" are apt to do.

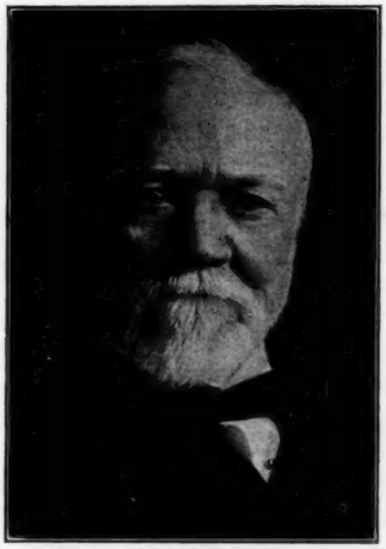
One does not have to look far to find many illustrations of this point. The public does not investigate, but buys and sells on somebody's say-so, and without using the precautions that would surely be applied in their own particular line of business.

For many years I have been impressed with the necessity of having investigation precede investments, instead of succeeding them. Take the field of patents and calculate, if you can, how many hundreds of millions are sunk each year in somebody's new-fangled idea as to how this or that should be done. In discussing this matter with an expert mechanical engineer the other day, it developed that 97% of the patents that are taken out are either of no commercial value or are never developed to a point where they realize a profit. Yet, as he said, "There are many big men in this town whose ear you can get quicker with a new patented appliance than in any other way. They will lay aside their own line of business and take up your new mechanism, if it is something that tickles their fancy." But that is only one field.

It is impossible to estimate how many hundreds of millions are lost because of improper preliminary investigation of the commercial, financial and technical aspects of the enterprises which absorb such a large proportion of the public wealth. Yet there is no other way in which money may be so intelligently spent as in safeguarding capital.

People Don't Know How to Investigate

Most people do not know how to investigate an enterprise. Some one comes along with a newly patented washing machine. He needs $25,000 to "develop it." He would like to get you and some of your friends to put up $5,000 each. He will give you 51% interest in the business. He invites investigation. But you and your friends do not really investigate—you get hold of somebody who is already in the washing machine business and ask what he thinks of it. He is not an expert; he doesn't know the patent situation—all he knows is whether he can sell the machine he is now handling and whether he thinks this is better than his, but he has no broad understanding



Copyright, Underwood & Underwood.

ANDREW CARNEGIE

Carnegie's advice to "put all your eggs in one basket and then watch the basket" cannot be taken as applying generally to the field of investment

of the business because all he is handling is one little machine in one little corner of the U. S. A. A few hundred or a few thousand dollars spent in a thorough investigation would save a lot of trouble, time and money.

The same principle applies to an oil, mining, railroad, industrial, or any other kind of enterprise. Money spent in careful investigation is insurance against loss. It is also productive of information which will be valuable in case you desire to go into the business or buy shares.

An enterprise in which I have an interest has recently decided to put a new product on the market. The demand had been established and greatly exceeded the supply. There was no question as to the company's ability to make the goods and sell them, but there was a question as to just what grade of goods would best please the public and just how they should be sold. So a very broad survey of the whole industry was ordered, with the result that the company is now in a position to go forward with its new goods in an intelligent way, along the line of least resistance. It is this sort of pre-vision which makes for success.

It is a remarkable and confirmatory fact that the officials of this company frequently take speculative fliers and make investments in securities, but their investigations seldom go beyond the stage of a surface inquiry as to the opinion of one or two parties, including the broker who is at the other end of the telephone listening for an order.

That reminds me of a point I have often made as to the ethics involved, in the client asking and the broker giving an opinion as to a contemplated investment or speculation. Personally, I believe that the client should know what he wants to do before he approaches the broker and that the latter's function is to execute the order and finance the operation. Many people do not agree with me, but it is a matter which we may take up for discussion at another time.

Perhaps you cannot investigate personally, owing to lack of time or knowledge of the subject, but you can always secure the services of those who can. In one of my previous chapters I stated some of my experiences in mining stocks and showed how I employed mining engineers to examine properties and other engineers to check them up. Mining is only one form of industry which is represented in Wall Street, and I should say that there are many, many more enterprises besides mines that need investigation. Within the past several months a number of propositions have been shown up as representing but a fraction of the value originally claimed for them by the promoters.

What Wall Street Needs

What Wall Street needs is some means of "checking up" on the enthusiasm and, in some cases, the deception of those who are engaged in marketing securities. There are two kinds of people in the financial district: those who are trying to help themselves by helping others, and those who are helping themselves to what others possess. It does not take long to find out whether those with whom you are dealing belong to the preferred class.

Investigation of some of the enterprises whose securities are dealt in, is a subject calling for a very wide range of knowledge and ability, and is beyond the reach of the average man. An examination of a property like the Philadelphia Company, for example, or Cities Service or Ohio Cities Gas would require training in a great many different fields, many of which the average investor does not understand. A thorough investigation of such an enterprise would only be justified

(*Continued on page* 44)

Announcing the Organization of the Richard D. Wyckoff Analytical Staff

TO Our Subscribers:

My recent articles on "How I Handle My Own Funds," have brought numerous letters requesting personal attention and assistance in your investment operations. This I cannot undertake to give.

The selection of the soundest and most remunerative investments and the most promising opportunities have become a problem which requires a wider range of knowledge, ability and experience than is possessed by any one man. Listed in the New York and other markets, and dealt in over the counter, are many thousands of securities of varying degrees of intrinsic value, earning power, financial strength and future prospects. To form the most accurate opinions and soundest judgment on these various issues, a person should possess many qualifications covering broad technical, engineering and security market experience.

While it is impossible for one man to cover all these fields, there is another way to accomplish the same end, and that is by organizing a staff of experts, each selected for special ability in his own line.

This is what I propose to do. In fact, I already have such an organization well under way.

Associated with me will be men of long experience in research work; authorities on money, credit, investment conditions and other economic subjects; attorneys, statisticians and expert accountants; mechanical, mining and public utility engineers; oil geologists and engineers; experts in railroads and public utilities and in steel, equipment, automobile and other industries; authorities on technical market conditions and in matters pertaining to the whole broad range of industrial and security market operations. No field or subject will be left uncovered which has a bearing on investment values and exceptional opportunities for profit.

* * *

THIS is the first organization of its kind, with the exception, perhaps, of the one maintained by the Rockefellers for the selection and care of their own personal investments. What I aim to accomplish is something beyond anything available elsewhere, from the standpoint of scientific accuracy, knowledge, insight, judgment and definite conclusions. I plan to have the whole long list of investment opportunities combed over systematically by personal and painstaking investigations by experts of the highest standing.

The more important functions of the members of this staff will include the careful, thorough and scientific investigation and selection of certain railroad, industrial, oil, mining and other enterprises which appear to afford the best mediums for our purpose.

Some of the other tasks allotted to those of the staff will be: The study of underlying tendencies in commerce and finance; a close and continuous observation of money markets and the ebb and flow of capital, investment security prices and tendencies; stock market and bond market trends and technical conditions; underlying factors which to a large extent influence the prices of stocks, bonds and other investment mediums. Our first object will be to make a broad survey of all the leading industries for the purpose of selecting those in which the growth is most certain and persistent. Next, we will make a searching analysis of the securities in that field in order to ascertain which indicates the greatest probable growth in the shortest period of time. Then we will decide *when* and *how* and *in what quantities to buy and sell.*

* * *

AN enterprise in which we contemplate an investment will be examined and analyzed from numerous standpoints, such as Organization, Management, Finances, Character of Industry, Competition, Permanency of Demand, Trend of Growth, Earning Power, Dividend Record, Distribution of its Securities, Technical Position of its Shares, etc. But there are other considerations which enter into the making of safe, profitable investments, such as the Present and Probable Future State of General Business, Money Conditions, Position and Tendency of Future Prices, Markets, etc.

Of paramount importance is the Technical Position of the market and of individual securities, and this is a subject in which we have specialized, with enormous advantage to our readers.

In other words, it is one thing to find the right kind of an investment or speculative medium, but it is equally, if not more important, to know when to buy, sell, or take a neutral position. There is a time when all securities should be bought and another time when they should all be liquidated; but these great extremes in the swings of prices occur only every few years, and there are many opportunities in between which can be turned into handsome profits.

As Editor of THE MAGAZINE OF WALL STREET and President of the Company which publishes it, I shall have the advantage of its accumulated files of data and of the great amount of information which comes to it. This will be of no small importance, yet it is merely one part in a plan of such tremendous scope as that which I am now formulating.

Especial attention will be paid to the proportion of one's investment capital that should be employed in the securities selected; and to a plan for buying and selling in such a way as to continually mark down costs, according to the method of large operators as explained in "How I Handle my Own Funds."

These two factors are very important because they overcome two serious mistakes made by most people, who either buy too much or too little of a security and who, through lack of scientific training, fail to operate so that they can always benefit by normal swings in prices.

* * *

THE expense of organizing and maintaining such a staff will probably run from $200,000 to $250,000 per annum when fully established. In order to justify my assuming all of this great expense my personal operations would have to run into the millions. It is true that I sometimes deal in as much as a million dollars' worth of stock in a day's session, but I do not make ordinary security investments on such a scale. And while I am willing to defray a substantial part of the costs, I cannot undertake such an organization unless I have the co-operation of a number of my friends and subscribers who will join me, as Associate Members, with an annual payment representing only a small fraction of the expense involved.

My plan is to extend the entire and exclusive benefit of this organization to a limited number of individuals who can appreciate the value of having, for their own personal service, such exhaustive research and analytical work and experience. And with this idea in mind I am proceeding to organize what will be known as

THE RICHARD D. WYCKOFF ANALYTICAL STAFF

As soon as this organization is completed (probably about June 1) members of the staff will begin their component parts of the work and will submit, to our Executive Board, for final decision, copies of their findings, conclusions and recommendations. These will be supplemented with advices as to how and when purchases should be made, and the summarized whole will be issued to Associate Members in brief and readily digested form, so that no large amount of their time need be taken up thereby. These will be forwarded, not at regular intervals, but as rapidly as completed.

Associate Members will handle their own funds and securities, dealing through their regular banking or brokerage houses or institutions in the manner suggested by us, or in any way they choose.

The annual fee for Associate Members has been fixed at $1,000. Considering the fact that these reports are to be issued to only a very limited number of Associate Members and are to be exclusive and strictly confidential, and in view of the fact that such an organization of highly trained experts, especially suited to such requirements, can be obtained nowhere else, I believe that this figure is most moderate. In fact, it will only cover a small part of the salary of one single staff expert.

A gentleman to whom the subject was explained, said: "This is a splendid plan and an unrivaled opportunity for a man to practically own a $250,000 private financial staff for only $1,000, a year (less than he would pay a bookkeeper.) Every Associate Member should *make* or *save* many times this cost per year. This is a highly intelligent, constructive method of working out present day financial, investment and speculative problems and opportunities resulting from cycles in markets and business. It is built for the man of means who wishes to have his investments scientifically selected and his capital safeguarded and made to grow."

Applications in excess of the required number will be placed on a waiting list. A check for $250 on account of the first year's Associate Membership, beginning June 1, 1920, should accompany each application, these checks to be returned if not accepted.

Richard D. Wyckoff.

HOW I HANDLE MY OWN FUNDS

(*Continued from page 42*)

by a very large investment.

It is for this reason that such a large percentage of people who buy securities are stockholders in U. S. Steel, because the steel business is something they understand, or think they do, and the Steel Corporation is a leader in the frequency and detail of its periodical reports, containing essential statistics of which almost anybody can understand the main features. If some other corporations with complex organizations would make their operations so well understood to the average investor, and by past performances attain such a degree of confidence in the minds of the public, many people might sell their U. S. Steel and buy the other securities. But with the Steel Corporation occupying a position of prominence similar to a mountain surrounded by little hills, it is easy for any one to see just where the mountain stands and its relative breadth and height compared with its neighbor's.

The more I study this subject, the greater appears the necessity for "investigation before investing." In the matter of discrimination alone there is such a wide range of conditions and so many angles from which comparisons may be made, that the subject is, except in some instances, highly complicated and calls for a clear and expert judgment before deciding upon a definite course.

Next in importance to knowing what to buy is the question as to when it should be done.

I was discussing this matter with an investor today. He referred to the assets and earning power of a big corporation whose securities had recently suffered a very material decline. He could not understand why the stock should go down in the face of such a showing of commercial and financial strength.

My answer was this: "You have an automobile—it consists of a lot of steel, wood, rubber, brass, leather and other material. It requires gasoline, water, air and lubricating oil. Also knowledge as to how to adjust the whole piece of complicated machinery so that all the parts will work harmoniously. The smallest thing about your automobile is the spark. Without it the whole mass becomes junk. With the spark at least you can get the machinery to go, and you might plug along. But: Unless your spark is *timed* to fire at the exact moment when the piston reaches a certain point of elevation in the cylinder, you might as well get out and walk.

"It is the same way with the stock which you just mentioned. The company has ample working capital, high class management, big earning power, wonderful prospects. It is probably in a better and stronger position than when its stock sold thirty points higher. In this case the 'spark' is represented by the technical position. At 140 the spark was not properly adjusted. At 110 the adjustment has improved, but a study of the technical position of this stock will eventually point out the exact moment when it should be bought; so get all your other factors lined up ready for the time when the technical position shows that it is time to buy."

In the fluctuations of almost every security there comes a time when it may be most advantageously bought or sold, and the training of one's judgment in the making of decisions as to "when," is one of the fine points in the business. It is also one of the least understood.

Certain "authorities" on securities and their markets have very frequently been proven to be badly wrong, principally because they have ignored this important consideration. They may as well ignore the trigger in a gun.

Carnegie's advice: "Put all your eggs in one basket and then watch the basket" might apply to an industrial organization of which he was the head, but it does not apply generally in the field of investment.

One's holdings should be so diversified by commitments in various lines of business, in different localities and subject to dissimilar influences, that no matter what happens, only a small portion of the investment is affected.

Before the Spanish War, our warships used to carry an observation tower which consisted of one solid piece of steel so constructed that a well-directed shot would demolish it, but during the war some bright mind in the navy conceived the idea of a tower consisting of a network of steel strips which took fifteen or more shots in certain spots to knock it down, and thus was the factor of safety vastly increased.

Investors should follow out this plan of protecting themselves by a diversification of investments, just as an insurance company avoids the risking of its capital and surplus on a single building. By spreading its risk over a vast number of buildings in various localities, it is protecting itself against a catastrophe.

Whatever the sum invested, it should be spread among at least ten to twenty different securities, greatly contrasting each other in nature of business, margin of safety, location of the industry, etc. Thus will your funds be hedged about with protection against shrinkage. And in the search for proper mediums you will widen your knowledge by a careful and discriminating study of the subject.

(*To be continued in an early issue.*)

ALLIED COUNTRIES ARE STEADILY REGAINING EQUILIBRIUM

President Seward Prosser, Bankers Trust Co., Outlines His Observations Abroad

"I spent some time in London and saw a number of the most important people in financial affairs there, and without going into tiresome statistics, the general impression which I gathered gave me a wholesome regard for the credit of England and her unswerving determination that, come what may, British credit would be sustained.

"Considering the invisible balance accruing to England from freight, insurance and interest on her investments abroad, etc., she is apparently now just about paying her way in overseas trade.

"The story in France is quite a different one, and naturally so. France's burden in the war was larger than any other nation; the demoralization which naturally followed it was greater. It has been said many times that France in former days has been saved through the industry of her peasants, and if the saying is as true today as it has been in the past, there is much room for optimism, for surely the people on the land in France are making a garden of it. They are bringing back the only productive asset which they own, namely, their farms.

"We all recognize, of course, the part that Belgium played in the war and the sacrifice that her people made and the cruel treatment that was meted out to her, but on the other hand, after the enemy was in possession of this country, the population very largely was put to work and kept at work at very small pay. As a result, after the armistice was signed her people were not disorganized, as they were in other countries, with the largest part of their vigorous population spending their lives in non-productive work at the front.

"A large number of the Belgian workers already possessed the undisturbed habit of industry. Their artisans had become accustomed, through the long years of the war, to hard work and enforced frugal living, and when the opportunity came for them to work for themselves they were ready for the readjustment and very cheerful over its rewards. Therefore, their return to peace conditions has been much easier than for the other belligerents.

"One of the most distressing phases of this trip was finding a complete change of sentiment toward this country. The pendulum of public opinion has swung and, where a year ago we were rated far above our deserts, today, I am convinced, we are rated below them. I believe that this bitterness will disappear as time goes on."

FOREIGN TRADE DEVELOPMENT AWAITS SHIPPING FACILITIES

Secretary of Commerce Alexander Emphasizes Value of a Strong Merchant Marine

"I believe that the necessary development of the foreign trade of the United States depends as much as anything else upon proper and adequate transportation facilities, and this means not only the movement by rail, but prompt and economical handling at the ports and the quick turning around of the vessels engaged. To that end docks, warehouses, lighterage facilities should be provided in all our great maritime ports of the most modern type and the cost of loading and unloading vessels and delays in turning around should be reduced to the minimum. Fuel depots, both oil and coal, should be established on our various trade routes owned and controlled by American interests.

"If we can once be brought to realize what a great and flourishing merchant marine will mean as a national asset; and if to the earnings of American shipping we can add the earnings of our marine insurance companies, and the interest on our present and steadily increasing foreign investments, and the profits on our foreign trade, we should be able to grasp what these items will mean to the future prosperity of our country."

You can live on your income these days, provided you have enough extra for expenses.

HOW TO SEE EUROPE FREE—ON PAPER

Leave America with, say, about $400. Change it into 100 pounds, present exchange, in London. Cross to France and exchange into silver coin (1 pound equals 42 francs), and you have 4,200 French francs.

Smuggle these coins into Switzerland. Here they attain twice the value they had in France, owing to the fact that the silver French franc is normal in Switzerland, but the paper French franc is worth but half its face value in exchange. Change the silver francs into Italian paper lire, then pass on into Italy and cash into Italian silver.

You now have 21,090 Italian silver lire. Take these back into Switzerland and you have 21,000 Swiss francs. Now purchase French paper money and you will receive for it 42,000 French francs. Return to France, there buy English notes and proceed to London with 1,000 pounds instead of 100 pounds you set out with.

Change these into American money at present exchange and you have about $3,500 instead of about $400 you possessed at the beginning of the journey. This profit of $3,100 should be enough to pay your expenses for the trip.

Of course, you have to do a bit of smuggling, but that should add to the novelty and interest of the trip.

THE PAPER SHORTAGE EXPLAINED

At the beginning of the war the paper money of the world amounted to $7,000,000,000. At the date of the armistice it had increased to $40,000,000,000, exclusive of the issues of Bolshevik Russia. Today it has reached the enormous total of $56,000,000,000.—*From the Evening Sun.*

NO DOUBT ABOUT HIS BEING A "PIPPIN"

The following extracts are from the prospectus of the "Society of American Inventors," Wichita Falls, Texas, forwarded to us by a subscriber as a curiosity:

Esteemed Brother in Science and Invention:

The Dawn of a new era has come. The gateway to Independence has been opened to us. Let us join forces and all cooperate, putting forth our best efforts and walk into it gloriously. Dreams of American Inventors will soon be realized. The day when Inventors will sit at Councils, discuss Science, exchange Ideas, build their own models and manufacture their own inventions, has arrived.

This Society fully appreciates the donation of Anthony Giordano to the American Inventors of such valuable oil land in the richest oil fields of Burkburnett, Texas.

Observe the many giant gushers that come in every day. This opulent vault of liquid gold is disgorging its treasure, enriching thousands of people. Are we not entitled to our share of this natural resource? Do you know that Inventors possessing Natural Talent should appeal to the natural forces for assistance? Do you realize that there is an affinity between them that cannot separate them? Let us now, altogether and in one voice, appeal to the Natural Helpers and they will come.

Inventors will be accepted by this Society upon application for admission properly filled out and returned with remittance of $25.00. Remittance of not less than $2.00 must accompany application.

In about 60 days after drilling operations begin, we should have a gusher. Wells will be named Inventors No. 1, No. 2, No. 3, No. 4, consecutively. As one of the original members, your name will be immortal in the history of our country.

With pride this Society wishes to announce that our wells will be drilled by an American Inventor, J. W. Pippin.

Inventors wishing to work in the oil fields or in refineries, who are competent to assist this Society in developing its programs, may apply for the position desired any time after their membership certificates have been issued to them.

Wish to call your attention to the fact that this is a sincere offer of your Brothers in Art who have the earnest desire to establish a great organization. We advise that you act at once. We will not write you again.

Notify us by return mail if you desire to apply within the next few days. If you are not in a position to do so, kindly inform us. Your number will then be offered to other Inventors. Only 1,500 will be accepted. After books are closed applications and remittances will be returned.

(NOTE.—The number of the application was 2,427.)

QUESTIONNAIRE FOR BANK EMPLOYES

In view of the recent disappearance of Liberty Bonds, etc., entrusted to messengers, one of our readers suggests the following form to be filled out by bank and brokerage employees:

1. Are you married or single? ...... Why? ....
2. Do you drink near-beer? .... Why? ....
3. What is your favorite flower? ....
4. If you have night-work, are you troubled with insomnia? ....
5. Did you withdraw any money from the bank during the past year? ....
6. Where did you get it to put in the bank? ....
7. Does your wife play the piano? ....
8. What effect does it have on your rent? ....
9. Are you a light or heavy eater? ....
10. If heavy, who pays for your meals? ....
11. Has your yearly expenditure for rent increased since the shortage of houses prevents frequent moving? ....
12. Are you on friendly terms with your relatives? ....
13. If so, how do you manage it? ....
14. If possible, give the name of someone less intelligent than yourself who is making more money. ....
15. State average monthly grocery bill, and payments on same, if any. ....
16. State briefly (omit profanity) what your wife thinks of being married to a bank clerk. (Additional space will be found on back of blank.) ....
17. Where do you drink, and how do you get it? (This information will be treated as strictly confidential and private.) ....
18. Exclusive of bartenders, how many people depend on you for support? ......
19. Do you keep chickens? ....
20. Does your wife take in washing to help support the family? ....
21. Have you suggested this to her? ....
22. If so, state results, and name of hospital. ....
23. What position other than that of bank president, are you best qualified to fill? ....
24. Do you think you will ever amount to anything? ....

Sign your name on line below.

....

Sign your *right* name here

....

Tricks of the Dishonest Broker

Why He Prefers to Be Technically a "Dealer"—The Discretionary Scheme—The "Switch" Swindle—How the Partial Payment Plan May Be Dishonestly Used

The following extract from "Con," by W. C. Crosby and E. H. Smith, in the SATURDAY EVENING POST, reveals some of the tricks of the dishonest broker or "dealer in investments." It should be clearly understood that the authors do not intend to criticise the partial payment plan when honestly conducted, but there is no doubt that in some cases it is now being used as a smoke-screen for bucketshops.

THE broker you deal with, his standing, his past record or that of his house, is generally more vital than all the fiduciary information you can cram into your head. Investigate the man and his reputation. The right man betokens the right investment or speculation. The finest security in the world is no eventual protection against the wrong man or house. There are countless swindlers dealing in or through government bonds. On the other hand, not a single really reputable broker would see a client lose money through the worst stock if he could help it.

Investigate carefully the name and record of your house. Only a few years ago it was the fashion to start wildcat concerns trading on great names. Tradesmen having them were hired and used as cloaks for questionable dealing. Do not be tricked by similarity in names.

It is often a little hard to understand why many men who operate the most flagrant swindles are not in prison. When all is said and done, there are two reasons for the escape of the supermen of con; and these two really resolve themselves into the same thing. In the first place these financial swindles are planned and executed so cleverly that conviction of crime is most difficult. Again, the laws now on the statute books are insufficient—which only means that the criminals have found ways of circumventing them.

Here is an example of jail evasion by a very simple subtlety: Formerly everyone who dealt in stocks and securities was a broker. Today there are many dealers. The crooks among these men made the change for just one reason.

If a broker misuses money he has received from a client for a specified purpose it is a clear case of fraud and conversion, for the client is a principal and the broker only his agent or trustee. Where such fraud can be shown jail ensues like a Q. E. D.

But if a stock man is a dealer and charges no commission he immediately becomes a principal and the transaction assumes another aspect. For instance, in the sale of stocks on the installment plan, if the dealer eventually fails to deliver the stock there is probably ground for civil action only. He commits a breach of contract and can be sued. If he were acting as a broker and did the same thing he would be subject to immediate arrest. In other words, dealing is much less risky than brokerage. I advise you to remember this point.

Perhaps the oldest form of market swindle is the so-called discretionary game. This may be played with bonds, stocks, grain or blue sky. It consists of intrusting your money to an agent to be employed at his discretion, the only limitation being that he promises you a large profit. The notorious Five-hundred-and-twenty-per-cent Miller, who promised profits of ten per cent a week, was a discretionary operator.

Some men will tell you that discretionary games are no longer used and that this form of swindle has been driven out of existence. Most premature, I assure you.

A good many years ago Mr. Will Crosby, under colors not his own, opened a discretionary wheat business in Philadelphia. I forget at the moment just what my name was at that time. It does not matter. As soon as my office was fitted up I put the following advertisement in the newspapers:

I TRADE IN

WHEAT FUTURES EXCLUSIVELY.

Why jeopardize your speculative account in haphazard trading when you can have some one handle your account who understands and can direct speculation successfully?

Write me today.

Where the Quarter Million Went

I spent a thousand dollars a week in advertising and soon had above five thousand correspondents on my list. I took accounts as small as two hundred dollars and pretended to trade in wheat futures. What I really did was to put the money into the bank. At the end of the first month I generally sent each two-hundred-dollar client a check for about twenty dollars. I saw to it that he seemed to make nearly 10% the first month. If this encouraged him to send in more money and enlarge his account he received 12 or 15% the second month, and so on as long as he kept enlarging the ante. But woe unto the fellow who sat tight and would send no more. The second month his profits were cut in two and the third month he was wiped out and received an apologetic letter.

This game's heart lay in an elaborate card-index system, where every man was tabulated and rated. All letters sent him and all received were recorded, and the customer was watched carefully and re-rated from time to time. The three main ratings were prospect, good prospect and very good prospect. There was also the rating, dead one. Any one so listed was doomed to be cleaned in the current month.

Strangely enough in this out-and-out swindle some few customers strung along and held out hopes of future large accounts in so rosy a way that I was myself duped and actually paid them real profits. They made money out of me—if you will believe it. But the ninety and nine paid me handsomely. This discretionary wheat business paid me a quarter of a million dollars while I was at it. I made the mistake of branching out into too many directions at once. In the midst of my wheat discretions I opened a bucket shop. I got caught in a bull market and was sent into bankruptcy. With me went my wheat game and the quarter million.

Some years later I revived this game in a slightly altered form, known as the professional-trader game. For the purposes of this fraud I enlisted the aid of a saloonkeeper out of a saloon. He was dressed up, given a high-sounding name and put into offices. Meanwhile I had a brokerage firm of my own and I joined another brokerage house in the game.

My ex-dealer in fluids, whom I shall call Jones, now began to advertise himself as a professional trader in stocks, setting up the claim that he had studied the market for many years and was able to tell where money was to be made. Money intrusted to him would earn large and quick profits. The people wrote for information and he sent them a statement showing the money he had won in the last month. This statement had been made up by me after the fact and was based on the market records. Jones added one touch of novelty at my suggestion. He did not want to handle the money. No indeed! You were to take your account to your own broker—any one you liked. But you were to instruct your agent to take orders from Jones.

The dupes wrote in and wished to open small accounts, usually not larger than five hundred dollars. If a man said he wished to have Mr. Jones handle his business through an honest broker, Jones wrote back a letter saying that he was sorry, but he had no accounts with this broker and could not afford to handle one little five-hundred-dollar account separately. If the customer wished to make the account as large as five thousand Mr. Jones would be happy to handle it. Or come to think of it, the client might be satisfied with some other broker. Jones was handling numerous small accounts through my brokerage house and through the other conspirator's firm. Both these houses were of good repute, wrote the infatuated Jones. The client might investigate these two houses and if he cared to use them Jones would be glad to accommodate his small account.

No Chance of Legal Redress

The psychological effect of such a letter needs to be noted. Its tone is mild but contemptuous. Jones is not in the least anxious to be bothered with the poor little client. And the client instantly believes that Jones must be both honest and a big busy man. Thousands of people sent their money to our brokerage houses.

As soon as this was done Jones wrote

to each client and asked him to come in. The victim appeared and was made to sign a contract with Jones empowering him to handle the money. The sucker was then led to my office or that of the other broker and there made to write an order instructing us to accept the commands of Jones. He thus signed away all chance of legal redress and put us into the clear.

We now washed trades on the curb market to cover what deals we wished to represent as having been made. As in my discretionary wheat game, each speculator was sent a profit of 8 or 10% for the first month. If he responded by enlarging his account he received a fatter slice the next month. If he stood pat he was shortly wiped out amid the laments and apologies of Jones, who wrote that no man was infallible. I suppose it is supererogatory to say that we dealt in no stocks, but put the money into our capacious and hungry pockets—one-half into mine, one-fourth into those of the other broker and one-fourth into the jeans of the debonair Jones.

The newspapers finally exposed us and we had to decamp with only two hundred and twenty thousand in takings among us.

Here you have the discretionary game in its simple and its complicated forms. Today it probably is not played by either method, at least not in the East. But it has been succeeded by the tipster game, as follows:

A tipster goes to a broker of none too good repute and makes an arrangement whereby he is to guide his dupes to this broker in return for 25% of the money made out of the account. This arrangement signed and sealed, the tipster begins to advertise himself as a professional trader. No pay is asked beyond 10% of the winnings.

The dupe reads this advertisement and says to his alleged intelligence, "This sounds good. This man can't make anything unless I win. He must know what he's doing. Let us be up and speculating."

Whereupon the dupe goes to the tipster in person or by mail. The tipster directs the dupe to the broker, who takes the money. If the dupe is really verdant he intrusts the account to the tipster and it becomes again a straight discretionary racket. If the dupe is somewhat wise to the ways of the market he is let handle his own account, but the tipster directs his trades. In either case the dupe loses, take my word for that. He loses so inevitably that the broker does not wait developments before paying over the fourth part to the tipster. He pays it as soon as the account is opened. This form of the discretionary game is being played every day on every market in this fat and fatuous land.

How the Double Deal Was Worked

A somewhat rarer and pleasanter form of the good old racket was played by yours confidentially and Freddy Capes some few years back. We called it the double deal. Capes opened an office on lower Broadway, New York, and I simultaneously opened mine across the street, or nearly so. We got hold of a list of active speculators in stocks, the list being procured in one of the methods I have already explained. Capes wrote every man on the list a bull letter and I simul-

taneously wrote each one a bear letter. One of us was bound to be right, and it mattered not which. We kept at our game consistently. I was always doleful and sure the market would fall. Capes was an incurable optimist. He knew prices were going up. If prices went up Capes immediately wrote to all his correspondents, crowing with lusty lungs.

"I told you so!" he shouted from the mimeographed page. "See what you would have made had you followed my advice!"

If the market went down it was I who wrote the I-told-you-so letters. In this way we soon established relationship with large numbers of persons, some having been made to have confidence in me and some in Capes. They began by writing us for information and ended by seeking our advice and guidance. We steered them to brokers with whom we had a prearrangement, which provided that we were to have 25% of the account the moment it was opened and half when it was finally closed. Here again we either had actual charge of the accounts and were thus able to blow them up when it suited us, or we directed or misdirected the speculator. In the end the result was the same. In those days I went to work in a limousine.

At this moment a further refinement of the game is in common use. In the refining process some of the dishonesty has been eliminated. Two tipsters open separate offices and proceed exactly as Capes and I did. In fact, the fellows who are operating today learned this little trick from us. A business man out in Indiana writes in and wants to operate through one or the other of these tipping gentlemen. He is told that he must handle his own account through his own local broker. The tips are wired him daily in code so that his townspeople may not discover that he is playing the market. If the tips are wrong and he loses no one suffers but the speculator. If he wins he must pay from 10 to 20% to the tipster. Nothing criminal here, I suppose, but just a nice sure-thing game with the other fellow's money.

When, half a generation ago, the bucket shops were slowly and finally put under the ban, the hundreds of men who had been operating these places looked about for other ways of handling narrow-margin speculations. Various expedients were resorted to, but in the end everything simmered down to the installment-stock business. Today all the prominent bucketeers of other years are in this game. Some of the houses are decidedly prominent and they do a tremendous volume of business.

The theory of the installment-stock game is simple enough. If you wish to buy a share of stock you may acquire it by paying an initial installment of 10% based on its current value. The usual arrangement is that 5% a month must then be paid, so that the stock is acquired outright in eighteen months. If the stock goes higher in the eighteen-month interim the investor is naturally the gainer. Otherwise he loses, for he must pay out at the value of the stock when originally bought. He is privileged to sell his share at profit or loss any time in the course of the eighteen months.

Undoubtedly some stock is bought, paid up and finally acquired by this system.

But in my judgment a good many installment-stock transactions represent mere margining. The same old crowd that used to play the bucket shops now hangs its wraps before the blackboard in some of the installment-stock houses and bets furiously. The house, unless it is really on the level, does not actually buy or sell the traded shares. Why should it? Shares are not deliverable under the contract for eighteen months and much may happen in that time. Here we have the good old bucket shop under another name with the margins a bit bigger—nothing more. The buyer simply bets that his stock will rise and the dealer lays him it will decline. Nine out of every ten trades find the speculator on the bull side.

Frankly I cannot see why this method should be objectionable if the house is honest and discharges all obligations. There is always, to be sure, the danger of an adverse market and a bankruptcy, but this danger is not absent from other forms of stock brokerage. The fly in the amber here is really an adventitious institution called the switch. A yarn to explain it:

Some years ago—ten to be exact—I decided to have a fling at the installment-stock business, and I immediately opened offices in Broad street, New York, those very offices I spoke of in the beginning of my articles. I had been out of the Street for some time following paths afar and amiss. Naturally, I must have clients. Simple enough by way of the sucker list. But I had suffered some experiences with these fool rosters. I knew—as all brokers do—that ten letters are written to one that is read. A sheer and painful waste of postage. How then manage the thing more economically?

I bought, from a regular Wall Street dealer in stockholders' lists, the names and addresses of holders of shares in half a dozen standard companies such as United States Steel, Standard Oil, American Can, Anaconda, and so on. To each of these stockholders I now wrote an original letter, which began by extolling the virtues of the particular stock held by the addressee and wound up by announcing my entrance into the financial field and my willingness to serve. Soon a second letter reached each stockholder. This again called attention to the many virtues of the stock in question, predicted future increase in value, spoke of possible stock dividends and generally dosed the security with copious flatteries. I wound up this letter by saying that I dealt in this stock, was a specialist in it and sold it outright or on the installment plan.

A Switch to Mining Stock

The calculated effects were felt in two directions. My addressees took unto themselves my flattering estimates of their investments. To compliment a man on his possessions, whether these be his wife, his children, his art objects or his securities, is to compliment the man—and is much more effective, being indirect. My prospects felt I must be a man of good judgment. Did I not agree with them? And again, most of the letters I sent out were read, for they dealt with a matter in which the addressees had already an interest. I was shortly in correspondence with hundreds and later with thousands of shareholders.

At my suggestion they bought further

blocks of their own favorite stocks on the installment plan. Some even put up the shares they already held to cover the initial payments on larger blocks and I was soon doing a thriving business. I must explain that I acted in this matter as a dealer and charged no commission save that paid to brokers for buying the shares. How was I going to make money without committing larceny? you wonder. To be truthful, money could have been made and is made honestly in such establishments. In the first place, the dealer has the use of the buyer's money for nearly eighteen months, beginning with a small part and ending with almost the total amount involved. In the second place, the dealer has the advantage of being able to buy the requisite stocks at any time in the course of a year and a half and he naturally acquires them when the market is lowest. He is dealing in only half a dozen or a dozen standard stocks and it takes no great astuteness to watch the market on such a list with care and practical intelligence. It is therefore possible to conduct an installment-stock business dealing in first-class securities bought for investment without any fraud or trickery. I regret to say it is too seldom done.

As soon as I was well launched in my Broad Street business I looked about for an undeveloped mining venture and bought up such an affair for a song. I prepared elaborate literature on this proposition, listed the stock on the curb and slowly washed it up to a respectable price. All this was done quietly with small transactions, without bluster or advertising. But once I had my fraudulent stock at three or four dollars a share I began the preconceived attack on my stockholders.

The thing was begun slowly and cautiously. I merely called their attention to my mining stock without asking them to buy. When I wrote them about their standard stocks or sent receipts for money received I slipped insinuating circulars into the envelopes. I showed my investors ever-higher markets for the mining stock. Over a period of a whole year I prepared them. Then as their installments on the standard stocks began to approach maturity I launched into each customer with fervid advisings.

I had been sending my customer the literature on this mining stock for nearly a year merely to call his attention to it. I had never advised him to buy, for he was a conservative man, and I made no practice of suggesting speculative ventures. However, the mine was now in such a state that I felt I would be remiss in my duty if did not call the customer's attention to the tremendous possibilities and advise him to get in on the ground floor. Perhaps if he was short of other capital he would like to convert his standard stocks into these shares. I was convinced such a change would pay surprisingly.

I need not go into the full details of the campaign. By repeated urgings and advising more than 80% of my customers were persuaded to surrender their good stocks for bad, and they naturally came utterly to grief. Those who refused to exchange received their securities in due time and continued as my customers. They bought further stocks and I tried to persuade them into a substitute swindle.

(*Continued on page* 63)

Trade Tendencies

(Continued from page 41)

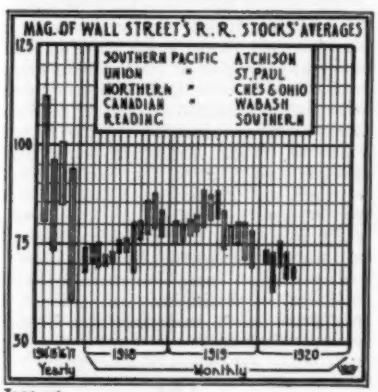
trend of the market is downward, and that it will not take many weeks more to indicate this more strongly.

Railroads

Rate Increase Petition

The railroads' application for a freight rate increase, as submitted to the Interstate Commerce Commission, calls for a 28% increase to bring their income in line with increased operating costs. This disposes of a good many rumors which had named all sorts of figures as the railroads' probable requests, and provides a basis for discussion by all parties concerned which should result in action by the Commission within a very few months. Since the passage of the Transportation Act, it is the first step toward the rehabilitation of the railroads.

For their more temporary needs, however, the railroads are planning to have recourse to the $300,000,000 revolving fund provided for by the terms of the Railroad Act. They have always maintained that this sum was not enough in view of the enormous needs of the roads for equipment, deferred maintenance, and maturing obligations which they were temporarily unable to meet out of their own resources. In the application of the



To May 6

fund, there seems to be considerable difference of opinion as to just how liberal the Commission will be. At any rate, a time limit has been fixed for applications for loans from the revolving fund, and in Washington now the American Railway Executives Association has a committee before the Senate Committee on Interstate Commerce, which together with a group of New York bankers, is laying full information before the senators as to the projected use of the loans requested.

The Traffic Situation

After a considerable improvement in the railway strike situation, which practically appeared to have finished the strike, a return of the strained conditions developed which leaves things now almost as bad as during the height of the strike. Congestion is peculiarly noticeable at the great export terminals, to which permits are being almost universally refused. Added to the car shortage which had been marked even before the labor difficulties arose, the new handicaps to railroad transportation are obstructing industry to a point where talk of increasing production seems almost futile.

Little progress seems to have been made toward any lasting solution of this labor difficulty, and perhaps little could have been expected. It is so largely a matter of the interior organization of railroad labor. The labor provisions of the Transportation Act as administered by the Interstate Commerce Commission have to deal with this problem among the very first. The outlook for a satisfactory settlement of the difficulty is highly uncertain, but is vital to the future prosperity of the railroads, much more so than the problems of loan financing and rate increases which have been occupying much attention of late.

With a solution of the labor question, the railroads appear to be in a position to enter upon a period of greater prosperity than they have enjoyed since 1917. Their equipment buying is doing something to relieve the car shortage, there is undoubtedly enough traffic as measured by the standards of former years to support the railroads as a whole, and the financing arrangements now being contemplated will work out to their advantage.

Public Utilities

Within the last few weeks the troubles of the gas companies and of certain of the tractions have come vividly to the fore. The gas companies are being hurt most of all by the increasing prices of their raw materials, coal and gas oil. These commodities are among the few in which a strong upward trend of prices is perceptible, for special trade reasons. In coal the export movement is making great headway and production has been hampered since the railway strike, while in oil the demands of the refiners of fuel oil and gasoline compete with the demands of the gas oil consumers, who are the gas companies, to the extent that supplies of this type of oil are scanty and prices correspondingly high.

The result has been that costs have gone up further in proportion than in the case of most utilities, while the financial position of most of them is highly unsound. In some cases actual discontinuance of service is being threatened by the producers, on the ground that they have not enough money to pay for new supplies and so cannot put enough gas through the mains to serve all their customers. Practically all of them are on a hand-to-mouth basis as far as stocks of raw materials and reserve supplies of gas are concerned, and it seems that rate increases will be granted to them willy-nilly because of the practical impossibility of doing anything else.

Position of the Tractions

The traction companies as a whole seem to have passed the peak of their difficulties. In most localities fare increases have been granted and are still being granted, indicating the breakdown of public opposition to the companies as such. The cost-of-service theory of public utility operation appears to be gaining ground, not only as a temporary argument for increased rates, but as a permanent policy for utility regulation. In replacing the older forms of regulation

based on return on invested capital, it may for the time being be hard on the securities of utility companies whose financial structure is unsound, but in the end should give greater stability to the public utility business.

Great possibilities of expansion are indicated by the recent suggestion of the president of the American Electric Railway Association that the electric railways be used to a greater extent than at present for the movement of freight. At the present time about 3% of the total income of the electric railways of the United States, compared with the steam railroads, which derive 70% of their income from freight. From the railroads' point of view there are two sides to the question of diverting some of their freight to the electric lines.

It is true that a considerable saving of short-haul traffic will result, and this kind of business is the least profitable to the railroads. It will also remove the necessity of new short-line and spur construction, as the installation and equipment of the electric roads is all existing and ready for use. On the other hand, much of this business will be less-than-carload and high-classification freight, which pays the highest tariffs and is very profitable. It is extremely likely that the existing congestion will compel some such solution in any case, whether it is to the permanent interest of the railroads or not, as they simply cannot carry all of the freight that there is to be moved. In this case, it will not be a matter of electric roads versus steam roads so much as a matter of electric roads versus motor trucks, which have already begun to cut into the railroads' short-haul business. The radius of operation of the electric roads as freight haulers is even more limited than that of the motor truck, however, and besides is of little application in thickly-settled communities, where traffic is constant throughout the day. It will work rather to the advantage of rural and interurban lines. For them, however, and with the limitations stated above, it may prove to be their salvation in their present distress.

Oil

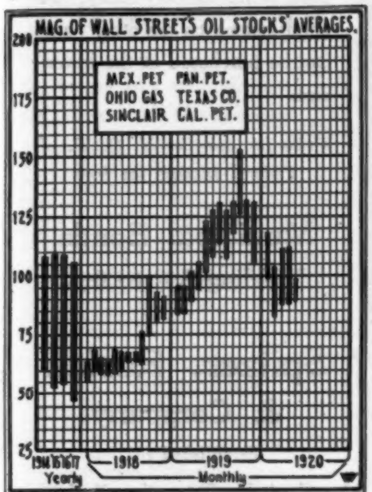
Fuel Shortage Accentuated

Among the most striking developments of recent days have been the continuing lack of interest in Navy bids for fuel oil supplies. Only five bids have been received, and these are judged to be inadequate. When one recalls that some 80% of the Shipping Board ships alone, when the building program is completed, will be equipped to burn oil, the demand for fuel oil from this source will indicate one reason for the prevalent shortage. In addition many power plants, heating systems and even metallurgical furnaces have been equipped to substitute oil for coal, so that the possibilities of a grave situation are in sight.

While production of crude oil in general has failed to keep step with advancing requirements, as far as fuel oil is concerned this insufficiency of supply is aggravated by the fact that new processes now being worked enable the heavier grades of oil to be used for the production of gasoline which formerly were good for nothing but fuel oil. So supply has

been diminished while demand has gone up.

A similar situation is noticeable in gas oil, which like fuel oil, is heavy and of low quality. The diversion of part of the crude supply to the refining of gasoline has created a situation where gas oil must sell at higher figures than the current market quotations to justify a refiner in converting his crude into gas oil rather than breaking it up into the lighter and more expensive gasoline.



To May 6.

The heavier oil products thus seem to be in a peculiarly strong position marketwise, though market strength with possibilities of further price advances seem to characterize the whole oil market, from crude oil to the lightest products. Export demand is steady and increasing, with increased consumption of fuel oil and automotive fuel as more automobiles are being built and locomotives, ships, and the like are being converted to the use of oil.

In view of this situation, statistics of the relative production and consumption of oil by the United States as compared with the rest of the world are of peculiar interest. They tend to show that we are using up our resources faster than the rest of the world; that our oil underground is proportionately less than that of the other oil-bearing countries, and that at present rates of consumption we shall have run out of oil in eighteen years while the rest of the world can get along for 250 years more. Of course figures as general as these are not accurate and are subject to wide qualifications, but the fact remains that they indicate a serious situation in oil for this generation.

Particularly in view of Navy and Shipping Board requirements, the suggestion is being made more and more often that this country do something to assure itself of adequate supplies of oil in the future. Especially does this apply to the oil fields of Mexico, whose potential production is known to be vast, but where American development work has been hindered by two things: the opposition of the native governments and the competition of the British, who are much less hampered by Mexican officials than our oil companies.

Other directions which our oil expan-

sion may take are into Central and South America, where the possibilities are known to be enormous. Transportation and industrial difficulties such as labor and materials supply are holding back development in these fields, but there is little doubt that there is good room for new exploration in those territories, and that before a very few years are up our supplies will be greatly enhanced by importation from these countries, which are now bare prospects.

Barring these developments, and barring also the growth of a great shale oil industry like that of Scotland, the situation is that of an ever-increasing demand pressing harder and harder against a comparatively inelastic supply. The long-pull outlook is that these conditions will be relieved by increased production from other sources. For the time being, however, the oil products market should be one of unusual strength with a tendency to price advances in all departments should demand become significantly stronger.

Leather

Lower Prices in Sight

It appears fairly likely from the present condition of the leather market that a further period of liquidation is on its way which will eventually strike the retail prices of leather products, particularly shoes. Of the many factors which are heading in this direction, the "overall movement" and its correlative abstention from the buying of high-priced products have been the most sensational, but probably not the most effective.

Foreign exchange difficulties have made it extremely difficult to export leather at the present time, and many factories abroad dependent on the use of leather have been compelled to reduce production or else close down altogether. As the condition of the export trade is one of the great indices to the leather market, the result has been a slump in leather and hide prices here.

For another thing, stocks have been accumulated by tanners, manufacturers, dealers and just plain speculators to a point where the market is in a decidedly unsound condition. As the domestic demand has shown signs of switching from the higher-priced to the moderately- and cheap-priced products, the tendency has arisen for a less free movement of the better qualities of product from hide to shoe-store, with the result that all the way down leather men are carrying bigger inventories than they have any desire to. The beginning of liquidation of a good deal of these holdings has been made recently by the banks' refusal to extend credit, and the outlook is for a certain amount of dumping on the market, with the natural result of breaking prices.

Transportation Difficulties

The difficulties of transportation have caused a dull leather market for some weeks, as the buying demand is not enthusiastic enough to sustain the added expense of motor-truck transportation. The fact that the market will not go up when spot supplies are as low as they are now is a sufficient indication of the lack of strength behind the buying now.

BOND BUYER'S GUIDE

Arranged by F. M. Van Wicklen

THIS table includes many of the active bonds listed in the New York Stock Exchange. They are **classified but not necessarily recommended.** An endeavor has been made to arrange them in the order of desirability as investments, based upon **security of principal and income return.** The arrangement below attempts to balance these two factors. **This table appears in every other issue of this magazine.**

Foreign Government Bonds

	Apx. Price	Apx. Yld. %
*Jap. 1st Ser. 4½'s, 1925 (par value $974)	76	10.60
Jap 2nd Ser. 4½'s, 1925 (par value $974)	74¾	11.00
Jap. 4's, 1931 (par value $974)	59	10.00
U. K. Gt. Brit. & I. 5½'s, 1937	86	6.90
U. K. Gt. Brit. & I. 5½'s, 1929	91¼	6.80
U. K. Gt. Brit. & I. 5½'s, 1922	93¾	8.30
Paris 6's, Oct. 15, 1921	89½	14.00
*Anglo-French 5's, Oct. 15, 1920	98	9.90
*French Cities 6's, 1934	87½	7.45
U. K. Gt. Brit. & I. 5½'s, Nov., 1921	95	9.10
Dom. Canada 5½'s, Aug., 1921	96½	8.10
Dom. Canada 5's, April, 1921	97½	7.60
Dom. Canada 5½'s, Aug., 1929	90½	6.90
Dom. Canada 5's, April, 1926	88¾	7.35
Dom. Canada 5's, April, 1931	89	6.40

Railroad Bonds Legal for New York State Savings Banks

	Apx. Price	Apx. Yld. %
First Grade:		
Lou. & Nash. Unified 4's, 1940	75	6.20
aSo. Pac. Ref. 4's, 1955	70	6.10
Pennsylvania Gen. 5's, 1968	83	6.10
At. Coast Line Cons. 4's, 1952	72	6.00
*Norf. & West. Cons. 4's, 1996	69	5.90
aUnion Pacific Ref. 4's, 2008	67¾	6.00
Nor. Pac. P. L. 4's, 1997	70½	5.75
C. Burl. & Q. Ill. 3½'s, 1949	69	5.70
C. & North West. Gen., 5's, 1987	88	5.70
Union Pacific 1st 4's, 1947	79½	5.45
aAch. T. & S. Fe Gen. 4's, 1995	72	5.60
Penna. Cons. 4½'s, 1960	85	5.40
N. Y. Cent. 1st 3½'s, 1997	64	5.50
Lake Shore 1st 3½'s, 1997	65	5.45
C. Burl. & Q. Gen. 4's, 1958	72¼	5.80
C. M. & St. Paul Gen. 4's, 1989	63	6.45
M. St. Paul & S. S. Marie Cons. 4's, 1938	74	6.50
Nor. Pacific Ref. 4½'s, 2047	71	6.30
Illinois Cent. Ref. 4's, 1955	66¼	6.40
Del. & Hudson Ref. 4's, 1943	72	6.30
Nor. Pacific Gen. 3's, 2047	50¼	6.00
Gt. Northern 4¼'s, 1961	74	6.00
Second Grade:		
*C. M. & St. Paul Conv. 4½'s, 1932	64	9.50
C. M. & St. Paul Ref. 4½'s, 2014	55	8.30
*C. M. & St. Paul Conv. 5's, 2014	63	7.90
N. Y. Cent. Ref. 4½'s, 2013	70½	6.45

Railroad Bonds Not Legal for New York State Savings Banks

	Apx. Price	Apx. Yld. %
First Grade:		
C. Burl. & Q. Joint 4's, 1921	94½	9.10
Balt. & Ohio P. L. 3½'s, 1925	80¾	8.30
aUnion Pac. Conv. 4's, 1927	80	7.75
Kans. C. So. 3's, 1950	50¾	6.95
Ches. & Ohio Gen., 4½'s, 1992	69¾	6.50
Atch. T. & S. Fe Adj. 4's, 1995	64	6.30
Seaboard A. Line 1st 4's, 1950	54	8.05
Col. & So. 1st 4s, 1929	77½	7.50
Ore. Sh. Line Ref. 4's, 1929	76	7.70
New Orl. Term. 4's, 1953	61	7.05
At. Coast L. L. & N. 4's, 1952	62	7.00
Lake Shore Deb. 4's, 1928	80	7.30
Wabash 1st 5's, 1939	83½	6.50
Balt. & Ohio 1st 4's, 1948	59	7.50
aCent. Pac. Ref. 4's, 1949	66	6.65
*Virginian 1st 5's, 1962	75	6.75
Ill. Cent.-C. St. L. & N. O. 5's, 1963	75	6.75
Southern Cons. 5's, 1995	78½	6.40
Kan. City Term. 4's, 1960	63½	6.70
Ore.-Wash. R. R. & N. 4's, 1961	65	6.40
Penna. 7's, 1930	101½	6.80
Lehigh Valley 6's, 1928	95¾	6.65
*Pere Marquette 5's, 1956	80	6.45
N. Y. Cent. L. S. Coll. 3½'s, 1998	55	6.45
Union Pac. 6's, 1928	97¼	6.40
C. Rock I. & P. Gen. 4's, 1988	68	6.00
Illinois Cent. 5½'s, 1934	85	7.10
St. L. So. West. 1st 4's, 1989	61	6.65
aReading Gen. 4's, 1997	76	5.40
Second Grade:		
Ches. & Ohio Conv. 4½'s, 1930	68¾	9.70
*St. L.-San F. P. L. 5's, 1950	64½	8.15
Den. & R. Gran. Cons. 4's, 1936	59	8.90
Ches. & Ohio Conv. 5's, 1946	73	7.40
So.-Pac. Conv. 4's, 1929	76	7.70
aSo. Pac. Conv. 5's, 1934	99	5.05
C. Rock I. & P. Ref. 4's, 1934	62¾	8.60
†Col. & So. Ref. 4½'s, 1935	69	8.00
*N. Y. Cent. Conv. 6's, 1935	87½	7.50

Cent. of Ga. 6's, 1929	85	8.40
Kans. C. So. Ref. 5's, 1950	65	8.15
Balt. & Ohio 6's, 1929	86	8.20
West. Md. 1st 4's, 1952	49¾	8.90
Chic. Gt. West. 4's, 1959	51½	8.10
Mo. K. & Texas, 1st 4's, 1990	54	7.50
Mo. Pac. Gen. 4's, 1975	53	7.85
aErie Cons. 4's, 1996	51	8.00
Western Pac. 5's, 1946	78	6.85
Balt. & Ohio Conv. 4½'s, 1933	59	10.40
St. L.-San F. Adj. 6's, 1955	58	10.50
Southern Gen. 4's, 1956	55¼	7.75
aErie Gen. 4's, 1996	40	10.00
Seaboard Air L. Ref. 4's, 1949	43	10.10
St. Louis So. W. Cons. 4's, 1932	50¾	11.00
Industrial Bonds		
Western Electric 1st 5's, 1922	94	7.40
Va. Car. Chem. 1st 5's, 1923	93	7.20
Midvale Steel 5's, 1936	80¼	7.00
†Central Leather 5's, 1925	92	6.95
Beth. Steel Ext. 5's, 1926	91	6.80
Beth. Steel Ref. 5's, 1942	82	6.60
*Am. Smelt. & Ref. 1st 5's, 1947	74¾	7.20
Armour R. E. 4½'s, 1939	76½	6.75
Rep. I. & Steel 5's, 1940	86	6.30
†Lackawanna Steel Cons. 5's, 1950	89½	5.75
aU. S. Steel 5's, 1963	93½	5.40
Int. Mer. Marine 6's, 1941	86½	7.30
Chili Copper 1's, 1923	99¼	7.05
Wilson & Co. 6's, 1941	89	7.00
*U. S. Rubber 5's, 1947	80	6.65
Am. Cotton Oil Deb. 5's, 1931	84	7.00
Gen. Elec. Deb. 5's, 1952	85	6.05
Gen. Elec. Deb. 6's, 1940	97	6.25
Wilson & Co., 6's, 1928	87	8.20
Braden Copper 6's, 1931	86	8.00
†Chili Copper 6's, 1932	75½	9.60
Colorado Ind. 5's, 1934	73	8.35
Col. Fuel & I. 5's, 1943	79½	6.80
Texas Co. Deb. 6's, 1931	105	5.35
Public Utility Bonds		
Manhattan Cons. 4's, 1990	54	7.50
*Amer. Tel. & Tel. Coll. 4's, 1929	74¾	8.00
Amer. Tel. & Tel. Conv. 6's, 1925	94½	7.40
Consol. Gas N. Y. 7's, 1925	100	7.00
*N. Y. Telephone 4½'s, 1939	74¼	7.00
*Amer. Tel. & Tel. Coll. 5's, 1946	77	6.90
New York Tel. 6's, 1949	89	6.85
Int. Rap. Tran. Ref. 5's, 1966	53½	9.45
Hudson & Man. Ref. 5's, 1957	55½	9.30
West. Union Tel. 4½'s, 1950	75	6.45
Public Serv. N. J. 5's, 1959	60½	8.50

* In denominations of $100, $500 and $1,000.
† In denominations of $100 and $1,000.
a In denominations of $500 and $1,000.

Banking Senators Decide

(*Continued from page* 5)

genial (and may I say it?), better-fed spectators. It was after the *family* dinner, and all were impressed with the sweet reasonableness of things as they are. Nobody took the trouble to page *Billiken*. He was the unseen master of ceremonies. Was it not so, Mr. Hawes?

Outside the pines sighed, but there were no bitter lines either in the speeches or in the listeners' faces. A "twice told" joke brought golden laughter from these bankers which shook the flower-laden tables. "Billy" Knox got the jump on "Fred" Collins. "Fred" had told some pretty good yarns, too, but they were mostly about men's shirts, and, besides, "Billy" must have been shopping on the Bowery before he left New York, for he put on some new records.

Francis H. Sisson, referred to rightly enough by one of the speakers as "a financial giant," was prevailed upon to say a few words. In fact, he got right up out of a hot tub when the urgent request came from the Chairman. Obliging cuss, this Sisson. And he had gone all the way down thar for that good hot water. Ever try Hot Springs, Frank? Anyhow, he dressed with the alacrity of a fireman responding to a "third alarm" (though he put on his own "correct" banquet uniform), putting his (140 Broadway) message over so gracefully that he brought his hearers to their feet at the Garrison finish. His attitudes were all inspired, and in his eyes there shone the light that was never seen on sea or land. Some naive Southerners, who had never eaten canned goods, overhearing the lofty sentiments, thought this Guaranty Ambassador was trying to save the world. "Billy" Knox

says all you have to do is to drop a dinner into Sisson and out comes a speech. Sounds like an Oratorial Automat.

I am not going to try to analyze the psychology of the banker type, and besides, I wasn't sent down to South Carolina for that purpose. But after you've lived with these money barons for a week (I was even calling "Joe" Hirsch by his Christian name), you can't help gathering a few impressions. Then, too, I sat behind three hundred or more, tightly packed brachycephalic and dolichocephalic, cerebellums during many executive deliberations.

The banker type seems as well defined as the poet, and every stock actor knows how to dress for the part. But there's a subtler similarity than a fondness for dinner and golf clothes and tortoise-rimmed glasses. Mouths all firm, eyes all sharp, voices all monotone. Nothing theatrical about them, however—no elocution and no cheap phrasing. As genuine in their address as stoics, they call gold gold, and know brass when they encounter it.

But the cat must be let out of the bag. Every banker has two nationalities, his own and his adopted,—Scotch. Thrift, Caution, Prudence are good old Highland anchors these sturdy souls always have out. But don't forget these are men of *imagination* as well, though most of them affect the native costume of Scotland. There were more golf bags waiting for the bus than portfolio bags, and if no new banking devices or machines were exhibited in the corridors there were many silver golf trophies gleaming.

If these money captains missed the "sighing of the pines," they sighed enough from out of the depths of their upholstered chairs, scattered about the lobbies, over the fact that they hadn't yet gotten "around the full eighteen holes." Many news editors facetiously featured these important proceedings on their sporting pages,—could find no room for them in their financial columns.

But why golf? I studied it out in my upper berth coming North. Tennis is a bit too strenuous for these old boys, who must keep fit. And even as highly groomed a creature as a banker longs to get "back to nature." But the last thing in civilization, he demands that Nature be not left in undress when he visits her, and has courses manicured for him. You rob "mother nature" of her poetry, however, when you "pin a rose" on her in the way of a marker flag.

The poetry of the Southland, however, insinuated itself into every soul. While dreary statistics were being droned out in the executive councils, the cat-bird sunning itself outside the open window, punctuated the stilted pauses with its cheerful calling. At first the "sunny South" seemed like a cynical phrase, for many of these money kings arrived at Pinehurst looking like drowned rats. But what's a little thing like a wash-out on the Seaboard Air Line? But after these councillors hopped into their flannels and their wives and daughters put on their gayly colored sweaters, it became a blithe enough audience to charm the insistent mocking-bird, who celebrated the advent of spring in fitting style. The dog-wood was already

gone, but over the race track there hung a pale blossom of a moon, slender as those fair daughters of the South who were crowding over the grandstand rail cheering their favorite filly to "come on."

Some new figures about the A. B. A., which decided, by the way, on a revision of its constitution. It costs about $400,000 a year to operate this organization, which now has a membership of 21,691, an increase since the last convention of 1,747. Vice-President John S. Drum, chairman of the Finance Committee, and the next President of the A. B. A., reported an increased expenditure in the protective department of about $40,000, 60% of which General Secretary Guy E. Bowerman explained to me was eaten up by banks with a capital of less than $100,000. "The job sought the man and found the right man," the A. B. A. President said of this gentleman, who in return said that Mr. Hawes was the best President, etc., and the President had said, before this, that Mr. McHugh's report on Commerce and Marine was the best report ever, etc. And if my observations and my guesses count for anything, I would say that all these gentlemen are correct.

Answers to Inquiries

HUDSON & MANHATTAN INC. 5s
Interest Position

Hudson & Manhattan income 5s paid no interest on April 1 last and we merely stated in the article that a payment of ½% might be made as the position of the company seems to warrant payment of this amount if the company saw fit to do so. But the chances are not too strongly in favor of payment for about a year or two.

INQUIRIES

In order to maintain and improve the high quality of our Personal Service Inquiry Department we have established the following charges.

BY MAIL

Three securities or less, $1.00; four to six securities, $2.00; for each additional three securities, $1.00.

BY WIRE

$1.00 for each security. We have a direct wire with operator in our offices, and wires take precedence over mail. A small deposit with us is necessary, against which wire inquiries may be charged.

Inquiries on technical points, etc., are charged the same as securities. There is *no charge* on the following:

1. To investment Letter subscribers.
2. For inquiries in regard to standing of bankers, brokers or investment houses.
3. To subscribers to magazine before Jan. 24, 1920, until their present subscriptions expire.

We regret that no advice can be given by telephone or by personal interview as inquiries are handled only by correspondence or telegraph.

We do not advise in regard to immediate fluctuations, nor as to the handling of speculative or marginal commitments. Our judgment is based on intrinsic values and on the investment situation.—THE MAGAZINE OF WALL STREET.

NORFOLK & WESTERN
Its Dividend Position

Norfolk & Western is one of the better class roads, with a good past record and efficient management. The road, however, has suffered in company with others by advancing costs, wages, etc., and for this reason, the 7% dividend is not being earned by as wide a margin as formerly. However, we believe this will continue to be paid as the new rail legislation, giving a return of 5½% on valuation of properties will provide considerable revenue in addition to present earnings, and on the whole, we believe you might hold your Norfolk, unless you care to switch to a somewhat stronger issue, such as Union Pacific or Atchison, both of which are earning their present dividend by a somewhat better margin than Norfolk, although in the long run, this advantage may not be permanent.

MO. P. GENERAL 4s
Look Cheap at 53

Missouri Pacific general 4s now around 53, we believe to be a fairly good bond, which appears to be selling cheap at present levels. Earnings of the road, while not particularly good in 1919 have been better in recent months and are enough to pay for the interest on these bonds by a wide margin, and we see no reason for your disposing of them. They give you a good yield and we believe you have hit the nail on the head, when you say the low price is probably due to "shortage of capital" for investment.

The bonds might even decline further slightly, but we would not worry about day to day fluctuations as most bonds appear now to be selling at bargain levels.

PITTSBURGH WEST VIRGINIA
Worth Holding

Regarding Pittsburgh & West Virginia, a plan is being worked out to ultimately segregate the rail and coal properties. The West Side Belt Line Railroad at Pittsburgh will eventually be absorbed by Pittsburgh & West Virginia. The first step will be an application for an increase in the capital stock of the former to make it more commensurate with the value of the property involved. The coal property of Pittsburgh and West Virginia has a reserve of over 100,000,000 tons. Of this, 85,000,000 are in Allegheny County, near Pittsburgh. This property is developed from maximum annual production of 3,000,000 tons, but owing to bad transportation conditions is not producing this much at present.

We doubt very much whether the Pittsburgh & Virginia shares will advance further in a falling market such as we have been having. In addition, the road has not shown very good earnings and the shares are at best a long pull speculation. However, we would personally see this reaction through as the rails generally should have their move later.

THE LESSON OF THE STUTZ CORNER

It can be stated in full in seven pregnant words:

Place stop loss orders on short sales.

When you buy stocks for long account, you should use stops or not, according to what you are trying to do and your plan of operations. When you sell short you should *always* use stop orders. If you desire to take what is sometimes called an "investment position" on the short side, your stop order doesn't necessarily have to be close to the market. It might be ten or twenty points away. But you should fix some point beyond which you will not let your loss run against you.

UNITED RAILROADS OF 'FRISCO

Plan of Readjustment

Under the plan of reorganization of the United Railroads of San Francisco, all of the physical properties, franchises, bonds, stocks owned by that company and all of the physical properties, franchises and bonds owned by the San Francisco Electric Railways Co. are to be transferred to the Market Street Railway Co. which will thereupon become the operating company.

Holders of the United Railway of San Francisco 4s of 1927 will receive 50% of the face amount of their holdings in Market Street Railway Co. 5% bonds, 50% in prior preference shares bearing cumulative dividends at the rate of 6% per annum, 5% in preferred stock bearing cumulative dividends at the rate of 6% per annum, 10% in second preferred stock bearing non-cumulative dividends at the rate of 6% per annum, and 20% in common stock of the Market Street Railway Co. Unpaid interest is not specified in the proposed plan but it is understood that this interest will be absorbed by the readjustment.

INVESTMENT OF $9,000

Selected List Bonds and Stocks

For investment of $9,000, we would suggest as follows:

One Rock Island Arkansas & Louisiana 4½% bond of 1934 at 61½.

One Baltimore & Ohio prior lien 3½% bond of 1925 at 80.

One Chicago, Rock & Pacific, ref. 4% bond of 1934 at 62.

One Texas Company 3-yr. 7% note at 98.

One Goodrich Rubber 7% 3-year note at 94.

Ten Virginia Chemical preferred at 108.

Ten Bethlehem Steel 8% preferred at 110.

Ten Pierre Marquette prior preferred at 63.

Ten General Motor 6% debentures at 72.

One Cuba Cane 3-year convertible note at 98.

The interest and dividends on each of these issues is well secured and the average yield on the whole is around 8%.

BRITISH AM. TOBACCO

Position of Recent Dividend

Notice was recently sent out by A. M. Rickards, Secretary of the British American Tobacco Company, Ltd., to the effect that the directors had declared a second

interim dividend on the ordinary shares, that is, the common stock, for the year from the 1st of October, 1919, to the 30th of September, 1920, of 6% (being one shilling and 2 2-5 pence per share), or about 29 cents in American money, the dividends being payable on March 31st. Holders of share warrants to bearer for ordinary shares were entitled to be paid the dividend on or after the 31st of March, at the office of the Guarantee Trust Company in New York.

Allowance, of course, is to be made for the difference in exchange rates between the two countries, but at the rate of exchange prevailing at the time the dividend was declared payable, you should have received between $4.50 and $4.60 on your 20 shares.

ROYAL DUTCH—SHELL

Some Differences Explained

The ordinary shares of the Royal Dutch Company (incorporated in Holland, in 1890), have a par value of 1000 florins, or $402 at the normal exchange rate. For convenience in trading the 1000 florins shares have been split up into ten sub-shares of 100 florins or $40.20 each. The Equitable Trust Company of New York originally issued under two separate agreements, American and New York shares so-called. Both classes are identical as to equity, dividends, and other privileges. The American shares represent those issued for other shares deposited in Holland and originally intended to be brought to this country when purchased by an American Banking Syndicate, but left in Holland because of the war. The New York shares are those subsequently issued as stock dividends and upon subscriptions. The relative difference between the prices of American and the European shares is so slight as to be only of interest to arbitrageurs. All shares are quoted practically on the same basis, making due allowance for the difference in exchange rates. The same is to be said with regard to the Shell Trans-

port shares, with this exception that the American shares have a nominal par value of $10.00, whereas those quoted on the London market have a par value of £1, or about $3.90 in American money.

Nominally, Royal Dutch is controlled by Holland interests, but the British have obtained so large an interest in the company in recent years that it is now a question which of the nationalities control the company. Shell Transports is, of course, controlled mostly in London, the Rothschild interest being supposed to have a dominating influence on the company.

PANHANDLE P & R.
Our Attitude Toward Speculative Oils

We regard the Panhandle Producing & Refining Company as a legitimate producing concern and believe the stock has some merit. We believe it would be worth while to hold it, although we would not suggest any further purchases of so speculative an issue.

INVESTMENT OF $4,000
A List of Suggestions

For investment of $4,000, we would suggest the following:

One Rock Island, Arkansas & Louisiana 4½% mond of 1934 at 61½.

One Western Pacific 5% bond of 1900 at 81.

One San Antonio & Aransas Pass 5% bond at 58.

One Union Pacific Convertible 4% bond of 1927 at 82½.

One Texas Company 3-year 7% note at 98.

One Virginia Chemical 1st 5% bond of 1923 at 93.00.

The capital and interest on these issues are all well secured and the yield at present prices if held to maturity is between 7 and 8%. There are no baby bonds among these, the par value in each case being $1,000.

CHICAGO CITY 5s, 1927
Position of Litigation

Chicago City & Connecting Railways collateral sinking fund 5s, 1927, are a direct obligation of the company and constitute a first lien upon pledged securities having a face value of $31,443,900. There are at present $21,351,000 of these bonds outstanding, but it is a question whether the securities deposited against the bonds are worth anything like their face value, and it is probably due to existing doubt as to the value of the security underlying the issue that the latter is now selling so low. There is a probability also, as you intimate, that the interest on these bonds will be defaulted unless the company's earnings show considerably larger improvement than they have of late. At any rate, the bonds cannot be considered as an investment, in the strict sense of the term. They are rather speculative, but at the prevailing price level would seem to have possibilities for enhancement in value. Having dropped to so low a level, we rather hesitate to recommend that you dispose of your holdings. On the other hand, we feel that the earnings of the company have about discounted the worst and we are therefore inclined to look for improvement in the price of the bonds.

We think it highly improbable that the

U. S. Supreme Court will reverse the decision of the Illinois Supreme Court in the matter of street railway fares in the city of Chicago. Should the Federal Court sustain the Illinois Tribunal, the decision doubtless would have a beneficial influence on the price of Chicago City & Connecting Railway securities.

MERRIT OIL

Has Discounted Adverse Conditions

There can be little doubt that Merrit Oil was over-boomed during the big upturn in the general market last Fall and that the stock is now suffering the consequences. The price now has reached a level where, in our opinion, it measures pretty closely the real value of the stock, and this being the case we rather hesitate to advise you to dispose of it. We believe the company has a good future, and that if you hold for some time longer, or average your original holdings by buying one-half of the amount on any further decline you will eventually come out on top.

PUTS AND CALLS

Insurance Features Satisfactory

We would hardly advise anyone but an expert to engage in the business of buying and selling puts and calls as the business is extremely hazardous. Only those who are constantly in touch with the market and are able to protect themselves by buying or selling against their regular contracts are able to make much money out of these transactions.

So far as the operator in stocks is concerned, there is an advantage in buying puts or calls to the extent that the one operating against them has provided himself with a certain amount of insurance. For instance, one may buy a hundred shares of U. S. Steel at a certain price with the expectation of profit on the long side, and then buy a put, or privilege to sell at a certain price, and thus protect oneself against loss should the price go against him. Many operators buy these privileges merely as insurance against loss in their main operations. Few of them expect to make any profit out of the privileges. The disadvantage of operating on puts and calls alone is that the chances are considerably against the buyer and in favor of the seller.

Tricks of the Dishonest Broker

(*Continued from page* 50)

This is the switch. If some customers are immune it is because they have demonstrated their good sense. Others are not in this happy family.

The eminent Dr. John Grant Lyman, of whom previous mention, rung a desperate change on this game. He advertised as an installment dealer, got many buyers of good stocks interested, received heavy remittances through the mails and then simply decamped. They caught him on the Florida coast, whence he was about to put out for Honduras in a small ship.

The Municipal Bond Game

It is generally safe to assume that bonds are safer instruments than stocks, but not always. A year or two after I opened my installment-stock business I was ap-

proached in New York by a pair of conspirators who had a supply of police-graft money on hand and wanted to go into the bond business on the installment plan. I entered this venture, which we launched on a small scale with less than thirty thousand dollars capital.

We watched the advertisements for small municipal-bond issues and underwrote them. Our first buy was a one-hundred-thousand-dollar block of sewer bonds in a small town. We paid just under par for them, put up the required deposit of nearly twenty thousand dollars, took the bonds to New York and immediately hypothecated them in our bank at better than eighty-five. With this money we paid the city, having a little cash to spare.

We now went to this little city and advertised the bonds for sale locally on the installment plan, 10% down and 5% a month. It was no trouble at all to sell them on these terms, so we almost immediately had ten thousand dollars of our investment back. At the end of the first month we had 15% in hand and our original thirty thousand dollars was practically intact.

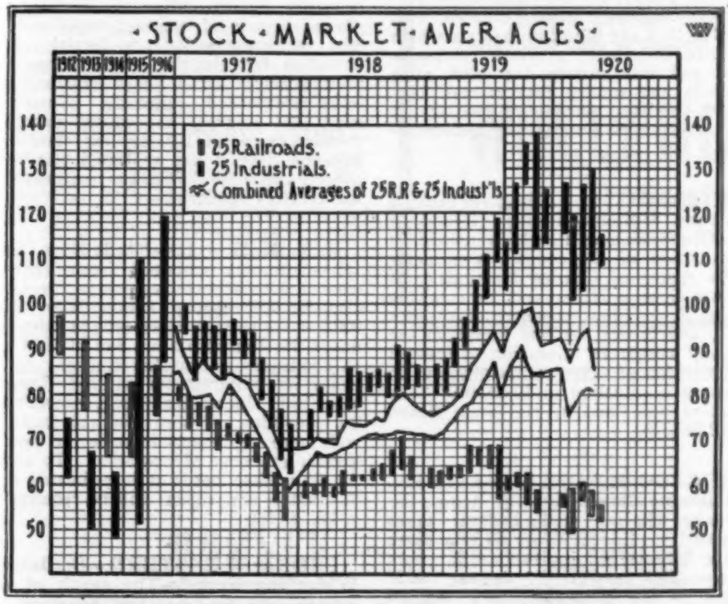
Without delay we bought up another block of municipals in a similar amount and went through the same operation. In thirty days our capital was again intact and we ventured in a third issue. Thus at the end of a year we were spread out over a dozen issues, with nearly a million and a half of bonds in hand and only thirty thousand dollars involved on our side. We were simply using the money of our bond buyers as it came in to us. As soon as the first set of payments matured—eighteen months after our first venture—we would naturally have to take up the loan at the bank and deliver the bonds, but this occasioned no worry. We would have the installments from eighteen issues coming in by that time and would be abundantly able to handle the situation. Meantime we were making a little money, for we sold the bonds at a reasonable advance over our purchase price and we collected the difference between call-money interest and that borne by the bonds, often as great as 3%. On two millions in bonds this difference in income would amount to sixty thousand dollars a year. Plainly as long as call money remained cheap we were making profits. This was, I regret to say, not our plan.

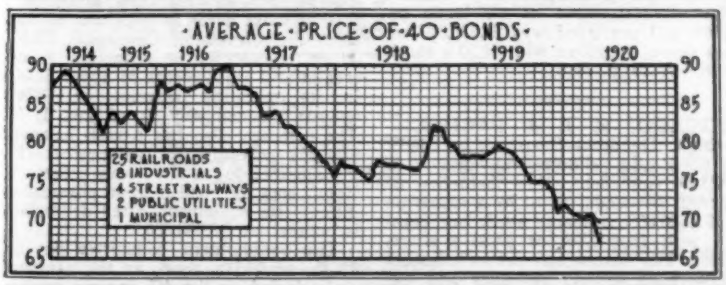
The fraud was to be applied at the right moment. By investing and reinvesting on the lines already explained and by returning all profits to the business we expected to enlarge our operations till they covered a matter of fifty or a hundred millions in bonds. This accomplished, we planned to sell out the business, or appear to sell it out, and leave the country with the profits of a last huge deal. Our successors, who would have been hardy characters hired for the job, would have held on for a time and then transferred the business to still another set of yet hardier breed, secretly paid to take a chance on going to prison. Under this third management and far enough removed from ourselves, we believed, the crash was to come.

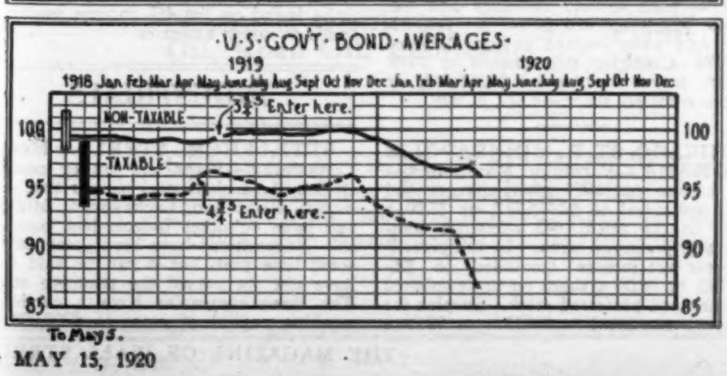
Fortunately for the public, the murder of Herman Rosenthal and the Becker scandal and trial supervened. The Becker case chased our backers to cover. They demanded their money and we had to close up shop before we were well started.

MARKET STATISTICS.

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Inds.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, Apr. 26.......	67.51	97.20	74.98	86.76	84.38	1,030,000
Tuesday, Apr. 27.......	67.57	96.41	73.71	87.32	84.32	1,250,000
Wednesday, Apr. 28.....	67.25	94.75	73.38	85.08	83.01	1,269,583
Thursday, Apr. 29......	67.25	93.16	72.71	84.54	82.09	1,118,400
Friday, Apr. 30.........	66.95	93.54	72.21	83.01	81.66	914,200
Saturday, May 1........			Holiday			
Monday, May 3..........	66.81	94.03	71.80	83.45	80.69	1,095,900
Tuesday, May 4.........	66.74	94.27	72.68	84.10	82.58	870,900
Wednesday, May 5.....	66.90	94.41	73.33	84.97	83.39	801,700
Thursday, May 6.......	66.99	94.17	73.54	85.72	84.26	919,500
Friday, May 7..........	66.95	93.45	73.11	84.53	83.27	594,200
Saturday, May 8.......	67.09	94.75	73.76	85.39	84.02	419,300







To May 5.

Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

ATCHISON.—In Strong Position.— Net corporate income for 1919 increased from $28,348,433 to $43,098,658 or more than 50%. After preferred dividends, balance available for common was equal to $16.55 a share on the $222,873,500 outstanding common stock, compared with $11.88 in 1918 and $15.02 in the year which presented the best previous earnings. Profit and loss surplus for 1919, after dividends and sundry charges was $23,438,819 and final surplus $65,366,690 or about 30% of the outstanding common.—v. 25, p. 335.

CHICAGO & ERIE.—Previous Valuation Upheld.—Indiana Board of Tax Commissioners has been upheld in its valuation of the company's property by the report of Charles Martindale, of Director-General Hines, and the company against F. A. Sims, members of the tax board, and others. In the complaint the company sought an injunction to prevent the collection of taxes on its property in excess of a valuation of $9,000,000. The valuation was fixed by the State Board at $22,947,315.

CHICAGO & NORTH WESTERN. —Maintains Earnings.—Net income for 1919 after charges and Federal taxes amounted to $13,982,582 or $8.34 a share on the $167,552,338 capital stock, both common and preferred, against $8.57 earned in the preceding year. Annual surplus after payment of dividends on common and preferred was $2,030,307 or $1.21 a share, compared with $1.50 a share in 1918.—v. 25, p. 586.

CHICAGO, R. I. & PACIFIC.—Earnings Decline.—Surplus for 1919 after taxes and charges amounted to $4,887,890, equivalent, after deduction of preferred dividends, to $1.76 a share on the $75,000,000 common stock, as compared with $5,481,098, or $2.56 a share, in 1918. The income account includes net debit account lapover revenues and expenses, which accrued prior to Jan. 1, 1918, and were audited in year 1919 of $78,376. Crediting this amount to 1919, income leaves surplus of $1,399,363, or $1.86 a common share.—v. 25, p. 506.

CHICAGO, ST. P., MINNEAPOLIS & OMAHA.—Earnings Maintained.— Net income for 1919 after charges and taxes amounted to $2,376,717, or $7.99 a share on the $29,818,945 combined common and preferred stock. In the preceding year net income amounted to $2,406,180, or $8.06 a share on the combined common and preferred stock. Surplus for the year amounted to $660,731 or $2.22 a share compared with $2.32 a share in the preceding year.

MO. P.—Sued by Wells Fargo.— Wells Fargo has filed suit for $1,066,666 damages against Missouri Pacific for alleged breach of contract negotiated in 1911, which bound latter to furnish transportation facilities for Wells Fargo express business for 20 years. Plaintiff alleges reorganized railroad's failure to carry out contract has caused practical discontinuance of its express business. Missouri Pacific has answered suit with counter claim for $376,824 as payment due for services rendered.—v. 25, p. 761.

N. Y., N. H. & H.—Needs New Capital.—Company emerged from Federal control with an indebtedness to the Government aggregating substantially $66,000,000, which it is hoped will be refunded under the Transportation Act of 1920 until conditions permit the company to finance its requirements without Government aid. Increasing traffic, necessitates the providing of more terminal facilities and more equipment in order to secure greater economy of operation. To cover the immediate needs it is estimated that $13,500,000 new capital will be required.—v. 25, p. 586.

PEORIA & EASTERN.—Settlement With "Big Four."—The result of the inquiry into the operating accounts for several years prior to 1919 was to obtain from the Cleveland, Cincinnati, Chicago & St. Louis Ry. a reduction through credits and adjustments of about $144,000 in its operating account of $324,286 against the company as of Jan. 1, 1919. The company also has a cash balance of $583,352 for equipment replacement. During the period of the lease the "Big Four" kept the road in good physical condition. Its equipment, after depreciation, is valued at $2,000,000.

The bondholders' committee has fixed 1½%, or $15 a bond, as the assessment to be levied on the 4% income mortgage bonds to cover expenses.

INDUSTRIALS

BETHLEHEM STEEL. — Merger Considered.—Plans are under consideration for a giant steel merger that may include Bethlehem, Lackawanna, Midvale and later on other independent companies. Negotiations have been going on for some time past, but it can be said they have not yet passed the tentative stage. The three companies have a combined working capital of close to $200,000,000

and an ingot capacity of about 7,500,000 tons annually.—v. 25, p. 726.

CENTRAL LEATHER. — Earnings Falling Off.—Surplus for quarter ended March 31, after charges and Federal taxes amounted to $1.58 a share, after preferred dividends compared with $3.85 a share earned in the corresponding quarter of 1919; total gross earnings declined from $3,696,700 to $2,898,525.—v. 25, p. 763.

COLUMBIA GRAPHAPHONE.—Business Rapidly Growing.—Is offering to holders of common privilege of subscribing, at $27.50 a share, to additional shares of common, to extent of 20% of their respective holdings. The proceeds of the sale of these shares will be used in part to provide additional working capital to take care of the company's rapidly increasing business. Though the company's production has been steadily increased to the highest point so far attained, the company has not yet been able to meet the current demand for its products. Net earnings after taxes during the three months ended March 31, 1920, were approximately 35% in excess of the same months last year.—v. 25, p. 541.

COMPUTING & TABULATING.—Outlook Bright.—Total sales for year estimated at about $18,000,000 or 50% more than for previous year. Net earnings are estimated at $3,000,000 compared with $2,126,000 in 1919, equivalent to $23 a share on outstanding common stock of no par value.

With present production and increasing domestic and foreign demands, the outlook appears very bright.

GENERAL CHEMICAL.—Earnings Larger.—Earnings for the first quarter of current year after charges and Federal taxes amounted to $1,552,006, equivalent after deduction of preferred dividend to $6.59 a share on the $19,823,040 outstanding common stock, as compared with surplus of $1,112,114, or $5.35 a share earned on the $16,519,500 common stock in 1919. —v. 25, p. 589.

HUPP MOTOR.—Good Outlook.—Net profits for 1920 are estimated at $3,000,000 or $5.50 a share of common compared with 87c. a share earned in the preceding year. According to official, financial position is unusually good. Company owes no money except for current material accounts, and has cash on hand over $2,000,000.—v. 25, p. 545.

INTERNAT'L HARVESTER.—Earnings Show Small Drop.—Net earnings for the year 1919, after all charges, taxes, and war losses, amounted to $12,608,726, equal to $10.51 a share on the $80,000,000 common stock, after payment of preferred dividends, as compared with $14,985,325, or $11.75 a share earned in 1918. Corporate surplus at close of year was $71,645,388, an increase of about 30% over the preceding year.—v. 25, p. 30.

MOLINE PLOW.—Earnings Statement.—Net income for the 14 months ended Dec. 31, 1919, after all charges and Federal taxes, amounted to $1,059,312 or $2.90 a share on the $10,000,000 capital stock, after preferred dividends. Corporate surplus after reserve set aside to reduce investment in European distributing companies at rate of exchange at Dec. 31, 1919, was $1,996,876 or $19.97 a share.

OTIS STEEL.—Earnings Statement.—On the basis of earnings before Federal taxes and an estimate of such requirements for the period by an interest in the company at $75,000, the company for the quarter ended March 31, earned $745,389. After allowing for preferred dividends there remained $573,354 for the 411,668 shares common of no par value, or approximately $1.40 a share, at the annual rate of $5.60.—v. 25, p. 675.

PIERCE-ARROW.—Earnings Show Increase.—Net profit for the quarter ended March 31, after charges and Federal taxes, amounted to $717,265, equivalent, after preferred dividends, to $2.07 a share earned on 250,000 shares of outstanding common stock of no par, as compared with net profit of $567,884, or $1.47 a share in the corresponding quarter of 1919.—v. 25, p. 767.

REPLOGLE STEEL.—Doing Poorly. Only earnings the company enjoyed during first quarter of 1920 were from bank balances and interest bearing securities owned. Company's blast furnaces are not operating and will not be until fall. Concentration of Replogle ores has been proven an unqualified success, making a product analyzing an average of 65% in iron and carrying a lower phosphorus than the best Lake Superior Bessemer ores.—v. 25, p. 590.

SAVAGE ARMS.—Sharp Decline in Earnings.—Surplus for the quarter ended March 31, 1920, after charges and taxes and preferred dividends amounted to $1.06 a share on the $7,748,000 outstanding common stock against $10.64 a share in the March, 1919, quarter. These figures include all expenses incident to operations, ordinary repairs and maintenance of plants, ordinary taxes and depreciation charges, amortization of patents, etc.—v. 25, p. 591.

SLOSS-SHEFFIELD.—Earnings Satisfactory.—Earnings for first quarter of current year were about double the amount required to meet the $1.50 quarterly dividend on the common stock. Company is operating 5 of its 6 blast furnaces and the sixth will probably begin operation in June. Iron is being sold on basis of $42 a ton and demand is very large.—v. 25, p. 767.

STUDEBAKER.—Doing Well.—Net profits for the first quarter of 1920, were $5,272,092, before taxes. After reserving $800,000 for Federal taxes, final net was $4,472,092, which exceeded by 15% our best previous recorded quarterly earnings. Results for the first quarter, without tax reserve, were $1,145,709.—v. 25, p. 591.

U. S. STEEL.—Earnings Show Big Gain.—Total earnings available for dividends for the quarter ended March 31, 1920, after Federal taxes and other charges were $26,031,785, equivalent after preferred dividends to $3.88 a share earned on the $508,302,500 common stock, as compared with $17,880,990 or $2.27 a share in the preceding quarter, and $17,481,016 or $2.20 a share in the corresponding quarter of 1919.—v. 25, p. 768.

WESTINGHOUSE ELECTRIC.—Has Very Large Orders.—Has orders on its books at this time which are 125% in excess of those on hand a year ago. The manufacture of air brakes constitutes but about 50% of the company's entire business. Inquiries for locomotive stokers, a fast growing branch of the business, are active, and sufficient contracts have been booked to insure a substantial increase in the earnings of the Locomotive Stoker Company earnings over last year. —v. 25, p. 592.

PUBLIC UTILITIES

ARKANSAS NATURAL GAS.—Doing Well.—Continues taking out large amounts of oil from its shallow sand lease in the Homer field, aggregating about 14,000 bbls. Total productive acreage owned by the company in this field is about 90 acres.

CONSOLIDATED GAS (BOSTON).—Asks Approval of Gas Purchase Contract.—Company has asked P. U. Commission for approval of its contract price for the purchase of gas from the New England Fuel & Transportation Co., effective May 1, 1920, and to continue for one year.

The contract provides that the Fuel Co. shall sell to the Boston Consolidated not less than 35,000,000 cubic feet of gas per week at 50 cents per thousand. The contract further provides that the gas must have a heat value of 528 British thermal units. Former price was 35 cents per thousand.

CONSOLIDATED GAS (N. Y.).—Valuation Basis for Rate Fixed.—Defendants in the suit to set aside the 80c. gas law in their objections to findings in the preliminary report, maintain that value of property to be used as basis for fixing rates should be $29,275,543 com-

pared with $74,854,352 formed by Special Master Gilbert. Cost of making and distributing gas on this basis is only 55c. per M cu. ft. instead of 75½c. as indicated in the findings. Company has enjoyed a 6% return on its investment from 1905 to 1918 of $28,845,513.—v. 25, p. 769.

I. R. T.—Income Improves.—Net corporate for March was $193,486 compared with a deficit of $139,737 in the corresponding month of last year. Operating ratio decreased from 60.42 to 58.03 gross operating revenue increased $882,381 to $4,876,561; net operating revenue for month was $2,046,848 against $1,580,906 in March, 1919. Number of passengers carried amounted to 91,297,336 compared with 74,725,626 in March, 1919. In view of this, continued improvement is expected and ability of company to easily meet its July 1 interest requirements.

KINGS COUNTY LIGHTING.—Appeal Denied.—The Appellate Division has handed down a decision denying the application of the company for an injunction pending the company's appeal from a recent decision of Supreme Court Justice Greenbaum limiting the rate to the 80 cents fixed by law.

The effect of the decision is to require the company forthwith to return to consumers more than $600,000 impounded during the trial.

PACIFIC GAS & ELEC.—Work on New Unit Commenced.—Preliminary construction work on the new 70,000-horsepower units of the company on the Pitt River project, has already been commenced. Part of the funds derived from the sale of the new $10,000,000 five-year 7% collateral trust notes sold to a banking syndicate will be used to finance the development. It is estimated that the Pitt River site has potential water power in excess of 400,000 horsepower. Present output of the company is placed at 400,000 horsepower, a part of which is generated by steam auxiliaries. The addition of the new water power development should effect a material saving, displacing a good part of the amount generated by steam.—v. 25, p. 769.

PACIFIC GAS, LIGHT & COKE.—Asks Higher Rates.—Company has told the Illinois P. U. Commission that its request for 40 cents advance in gas rates to $1.25 per 1,000 cubic feet, is 7 cents below its actual requirements for 1920 and operations show an average daily loss of $8,000, which is steadily increasing. The Jan. 1 deficit, on a strictly working cash basis, was $1,277,121. The deficit for the first quarter was $710,258.

RICHMOND LIGHT & RY.—Receiver Appointed.—Upon application of Westinghouse Electric, Judge Garver in the Federal Court has appointed a receiver for the company to serve until June 30, 1920. City is furnishing bus service over routes suspended because of the strike of the company's employees who ask a wage increase of 75c. an hour instead of present maximum of 45c.

STANDARD GAS & EL.—Had Good Year.—Company finished the year with the largest surplus in its history and earnings included only such amounts as were either actually received or in the process of collection. Figures did not include any part of the surplus earnings of the Shaffer Oil & Refining Co., as these will be applied to meet the growing demands of the business. Surplus for 1919 after charges and taxes

amounted to $1,902,114, equal to $7.68 a share of $50 par value on the $12,379,850 outstanding preferred stock compared with $3.34 a share earned on the $11,784,950 preferred stock in 1918.

WESTERN UNION.—Asks Revaluation.—Proceedings were instituted by the company in the U. S. Supreme Court to compel the I. C. C. to correct its valuation of railroad properties so as to exclude telegraph lines along railroad rights of way.—v. 25, p. 258.

MINING NOTES

AMERICAN ZINC.—Earnings Improve.—Net earnings for the first quarter ended March 31, before depreciation and depletion amounted to $197,240, against a deficit of $651 in the corresponding period last year when the zinc market was practically at a standstill. For a more detailed account, see analytical article in current issue.—v. 25, p. 168.

CALUMET & HECLA. — Poor Showing. — The comparatively poor showing made in 1919 was caused mainly by the curtailment of production to a considerable extent, because, during the war, the use of copper was restricted almost wholly to war purposes, and after the signing of the armistice, buying almost ceased while production was practically at maximum.

CARSON HILL GOLD.—In Weak Financial Position.—Net earnings for 1919 after charges and depreciation amounted to $302,793. Balance sheet as of December 31, 1919, shows that current liabilities exceed current assets by $21,408.—v. 25, p. 770.

CERRO DE PASCO.—Marked Increase in Surplus.—Surplus for 1919, after depreciation, depletion, interest and Federal taxes, amounted to $2,283,628 or $2.54 a share earned on the 898,229 shares of no par value, compared with surplus of $441,916 or 49c. a share earned in the preceding year. Corporate surplus was $10,273,493, equivalent to $11.44 a share.—v. 25, p. 258.

HECLA MINING. — To Increase Output.—Company is hoisting 750 tons of ore daily. The volume of material hoisted is greater than at this period a year ago, but less than that of a corresponding period two years ago. Shipments are being made at the rate of 100 tons a day.

HEDLEY GOLD.—Doing Poorly.—Outlook Better.—The year was most disappointing because of a decrease in ore values and the continued high cost of labor and supplies. Continued cold weather forced the closing down of the mill late in the year which left a product, partly milled, valued at approximately $30,000 that will show up in the 1920 earnings. Development work indicated that a higher grade of ore would be mined in 1920.

HOLLINGER GOLD.—Enters Oil Industry. — Company has purchased 3,760 acres of oil and gas leases in Dickinson and Morris counties, Kansas, which property is itemized in the balance sheet as "Herrington property, Kansas, $115,195," the latter including $35,000 for drilling by the vendors.—v. 25, p. 770.

LAKE SHORE MINES. — Output Larger.—Company's output for March aggregated $45,133 against $40,126 in February. Mill reduced 1,682 tons of ore during the month, showing an average recovery of $26.83 per ton. Output for the first quarter ended March was valued at $130,688 compared with $293,818 in the fiscal year ended Nov. 30, 1919 and $370,128 in the preceding year.

LA ROSE MINES. — New Veins Opened.—A new high-grade vein has been developed and drifted on for 200 feet. A new high grade was also at the 500-foot level of the Violet mine. A new level is being opened up at the Princess property at 250 feet. Considerable high grade ore is being mined at all properties and general average of milling ore is higher than prevailed during preceding year.

MICHIGAN - COLORADO COPPER.—Production Expected.—Corporate surplus as of Dec. 31, 1919, amounted to $3,123,391. Holdings comprise 12 patented claims in La Sal Creek cañon, Montrose county, Colorado, and are under intensive development, and May operations are expected to take on a productive aspect.

MIDLAND COPPER. — Develops Zinc Body. — Company is developing and blocking out a body of zinc sulphide ore in its North Star mine, one mile west of the Twin Buttes; is also installing a 300 cu. ft. air compressor.

MONTANA POWER. — Situation Improving.—Earnings for current quarter are running at rate of $1.63 per share on the common stock. Earnings usually show a slight recession during the Spring and Summer months, but if the improvement in the situation continues, earnings for the first quarter may be duplicated in the second and third quarters. High prices for silver is stimulating the production of the white metal which creates a larger demand for power from this source.—v. 25, p. 678.

PENN-ARIZONA COPPER. — Income Account.—During the past year more than $532,000 was expended for development work which resulted in the production of 2,768,362 pounds of copper of which 555,783 pounds were sold at an average price of 24¼ cents.

The company on Dec. 31, 1919, had on hand more than 4,000,000 pounds inventoried at 18 cents. Receipts for the year were $305,849 and total disbursements were $669,126, leaving a cash balance on hand Dec. 31, of $18,374.

SENECA COPPER.—Resumes Shipments.—Shipments of Seneca "rock" to the Baltic mill have been resumed. There will be intermittent shipments for the next few months, gradually increasing in tonnage as openings progress. Shaft sinking has also been resumed.

TONOPAH MINING (NEVADA). —Discovers New Ore Body. — Operations during the year were interrupted by the scarcity of labor and by a strike which caused a suspension from Aug. 18 to Oct. 4.

Approximately 150 tons of ore per day were shipped to the mill up to the time of suspension and direct mining costs were 16.7 cents per ton lower than for the corresponding period in 1918, but such costs were irregular and uncertain due to the fact that mining was being carried on in a large number of places remote from the shafts. Company announces discovery of a new body of ore on the Mizpah vein averaging $17.33 per ton.

UTAH COPPER.—Sharp Decline in Earnings. — Surplus for 1919, after charges and ordinary taxes, but before Federal taxes, amounted to $8,252,395, equivalent to $5.08 a share of $10 par value on the $16,244,900 capital stock as compared with surplus of $18,445,780, or $11.35 a share in 1918. Production of copper from all sources was 110,591,608 pounds, and net production 105,088,740 pounds. Production of gold amounted to 28,906.6 ounces and silver 263,721 ounces. The 50% curtailment was continued throughout the year. Average price received for copper actually delivered was 18.626 cents per pound. The cost of producing copper from all sources was 14.145 cents. Deducting value of gold and silver recovered and miscellaneous income, resulted in a per pound cost of 12.366 cents, compared with 12.53 for 1918. These costs are calculated with Federal taxes eliminated. Based on previous calculations and after deducting the ore mined in 1919 the total ore reserves amount to 368,501,300 tons, averaging 1.37% copper. —v. 25, p. 771.

OIL NOTES

GENERAL ASPHALT.—Maintains Earnings. — Surplus for the past year after all charges and Federal taxes, of $1,166,315, equal to $3.76 a share on the common stock of the company. This compares with a surplus of $1,163,207, or $3.75 a share, on the common stock in the previous year. The total volume of business for the year aggregated $14,755,610, an increase of $2,196,295 over 1918. After all charges, including taxes, net income remaining was $1,312,396.

With the removal of restrictions placed on exportation of crude asphalt from Trinidad and the resumption of deliveries to both the United States and Europe, the outlook for General Asphalt seems very good.—v. 25, p. 772.

HARVEY CRUDE OIL. — Merger Completed.—Merger with the Universal Petroleum Corp. has been completed and stock of the old companies is being called in. It has been decided that the new company will retain the name.

The recent 100% stock dividend of the old Harvey Crude will give shareholders in the company two shares in the new corporation to one in the old. Stockholders in the old Universal Petroleum will exchange one share of old stock for one of the new.

MEXICAN PETROLEUM.— Has Biggest Well.—Company's oil is being shipped out of Mexico at the rate of 36,000,000 barrels a year, greatly exceeding that of any other American company. Company is taking 40,000 barrels of oil a day from its Cerro Azul No. 4, the biggest well ever drilled. Cerro Azul can easily produce 100,000 barrels of oil a day, and can maintain that rate over the next few years.—v. 25, p. 683.

MIDDLE STATES OIL.—Declares 50% Stock Dividend.—Increase in earnings and asset value of the stock justify the distribution of a 50% stock dividend on July 10, to holders of record June 14. Earnings of company and subsidiaries have been running at rate of $20,000 per day and have since increased to $42,000. The above distribution will bring up total capitalization to $7,800,000, on which the cash dividend requirements issued quarterly (on a 4% basis) are $312,000 or less than 10% of present earnings, which will no doubt increase with the recent an-

nouncement by Peters Oil, a subsidiary, that a 120-bbl. well has been brought in. —v. 25, p. 469.

MIDWEST REFINING.—Earnings Statement.—Net for 1919, available for the stock amounted to $10,449,778 or 33.53% on the $31,163,050 capital stock, or $16.76 a share, after depreciation, depletion and taxes.—v. 25, p. 596.

PARAGON REFG.—Earnings Statement.—Supervision of the oil industry has been relinquished by the United States Government, and business conditions are essentially normal. Extensions and additions during the year amounted to $1,017,127 and profits for the three months ended January 31, 1920, before Federal taxes and depreciation were $349,092.

ROYAL DUTCH. — Subsidiary Brings in Well. — Roxana Petroleum has brought in its second well in the Jennings pool in Oklahoma with an initial production of 1,100 barrels daily.—v. 25, p. 344.

SHAFFER OIL.—In Good Position.—Earnings before deduction of Federal taxes, for the year ended March 31, 1920, were $3,634,158, or $18.17 a share on the 200,000 shares of common outstanding of no par value. Company has maintained a net average daily production of about 4,000 bbls. for 2 years past, from more than 400 wells on 6,789 acres of proven territory; company also controls 51,058 acres of undeveloped properties, much of which is favorably located in North Texas.

STANTON OIL.—Increases Capital.—Has increased capital stock from $3,000,000 to $5,000,000 of $5 par value. The new capital is to provide for the acquisition of properties in Louisiana and Texas, comprising 51,733 acres, the consideration being $2,250,000, payable in new stock of the company, at par. This will leave 150,000 shares of the new stock in the treasury.

TEXAS & PACIFIC. — Brings in New Well.—A well has been brought in on the company's right of way flowing between 600 and 1,000 barrels of oil a day. Well is located in the Bull Bayou field of Louisiana, near the town of Hogan, in Red River Parish. The well was drilled for the company under contract. —v. 25, p. 651.

TRANSCONTINENTAL.—Drillings Show No Results.—Has acquired 2,000 acres in Louisiana, about 15 miles from the Homer pool, and has begun drilling operations; operations in the Bull Bayou field have resulted in a gas well; those in the Elbing-Peabody field in a small oil well. Drillings in the Edward Plateau have shown no results so far. On the whole, the company is not doing so well as was expected originally, and a recent statement showing earnings of 9c. a share is therefore no surprise. According to Pres. Parriot, earnings for the first quarter of current year were $243,000, or a little less than 50c. per share for the entire year, or 3% on the market value of the stock, viz., 2,000,000 shares at $15. —v. 25, p. 597.

WHITE OIL. — Completes New Well.—Has completed its Wheaton No. 5, in the shallow field at Homer, with an initial flow of 140 barrels an hour. New well is 600 feet north of the company's Wheaton No. 1, which recently came in at 2,500 barrels and is now making 350 barrels daily.—v. 25, p. 683.

WICHITA EAGLE & REFG.—Enjoys Good Reputation.—Has two refineries at Augusta, Kan., and Ft. Worth, Texas, and is producing an appreciable amount of crude oil of its own. Total assets as of Feb. 29, 1920, were $8,713,065. Since company does not intend to purchase leases in distant territory, where there is no development of either oil or gas, Wichita Oil is enjoying a good reputation in oil circles.

UNLISTED NOTES

AMERICAN CHICLE.—To Expand Plants. — The 82,500 new common shares of no par value offered to holders of preferred and common of record May 6, at $40 a share, until May 17, will be used mainly as additional working capital and for plant expansion.

AMERICAN STORES. — Marked Increase in Earnings. — Surplus for 1919 after charges and Federal taxes amounted to $2,459,617, or $12.79 a share after deduction for preferred dividends and sinking fund; this compares with $3.76 a share of no par value, earned in preceding year.

ANTONIDES & CO.—Has issued an analysis of important securities containing latest information concerning oils, sugars, industrials and public utilities, with special reference to Colorado and Wyoming issues, supplied by the new addition of "Denver Market Securities." This is the third edition of a booklet that has come to be regarded as standard among investment houses, banks and investors throughout the country.

BRITISH - AMERICAN CHEMICAL.—Addition to Plant.—Has added an installation to its plant for the production of benzol chloride. At a meeting of the directors April 29 the advisability of declaring a stock dividend will be discussed. Benzol chloride is required in large quantities in the production of certain staple dye colors, and is selling at from $2.25 to $2.50 a pound.

CARBON STEEL.—Reports Deficit.—For six months ending March 31, 1920, operating deficit amounted to $131,435, due mainly to the strike and freight embargoes. Recently the company began to show profits and summer's results look promising. Dividends of $250,000 were paid from surplus, leaving $3,646,943 in surplus.

CENTRAL AGUIRRE SUGAR.—Production Increases. — Output this year should be 60,000 tons against 44,682 last year. There are 150,000 shares of stock outstanding. On a production of 60,000 tons every cent a pound profit would be equal to $8 a share on the stock, and unless the raw sugar market breaks down badly a profit of five cents a pound after all charges is entirely within the bounds of possibility. In other words, company may do even better than $40 a share on the present capital, which represents five shares for one outstanding a year ago.—v. 25, p. 429.

FORD MOTOR. — Consolidation Planned.—Reorganization plans of the Ford Motor Co. and other Ford interests in a new $100,000,000 concern to be incorporated in Delaware, were filed at Lansing, Mich. The new company will manufacture aircraft, internal combustion loco-

motives and railroad cars, in addition to automobiles, trucks and tractors. The stock in the new company will be owned by the Ford family. The present two companies are capitalized at $3,000,000. Ford Motor Co. at $2,000,000, and Henry Ford & Son Corp., the tractor company, at $1,000,000.

KERR NAVIGATION. — Income Statement. — Surplus for 1919, after charges and Federal taxes amounted to $1,863,435, or about $16 a share on the "B" stock after dividend requirements on Class "A" stock from date of incorporation, Sept. 3, 1919, to Dec. 31, 1919; American Ship & Commerce Corp. owns 79,388 shares of "B" stock and 3,098 shares of "A" stock, on which a dividend of $3.50 per share was paid March 2, 1920.

LEE RUBBER.—Earnings Growing. —Net sales in first quarter of current year were about $2,600,000 compared with $5,583,000 in 1919 and $4,609,000 in 1918. Net profit after all charges and Federal taxes is estimated at annual rate of about $8 a share.

MASS. BREWERIES.—Future Uncertain.—Is meeting with gratifying results in its sale of soft beverages. April sales are showing a marked increase over March. Company intends to continue along present lines, pending a Supreme Court decision. Should the latter be unfavorable, company will continue as at present until cold weather, when its future will be determined.

NAT'L ACME.—Earnings Show Big Increase.—Net profits for the first quarter before Federal taxes amounts to $1,661,641, or $3.32 a share on the $25,000,000 capital stock of $50 par value compared with $756,630, or $1.51 earned in the corresponding quarter of 1919.

OTIS ELEVATOR. — Subsidiaries Doing Large Business.—Foreign subsidiaries of the company are in good shape to handle the business abroad. The Waygood-Otis, Ltd., of England, in which Otis Elevator has a large interest (about $500,000), is doing the largest business in its history. Waygood-Otis will shortly inaugurate dividends at 6% annually. The plant of the Ateliers Otis Pifre, the French subsidiary at Albert, was totally destroyed during the war and it is manufacturing in a make-shift plant near Paris. The company now has a claim amounting to 2,000,000 francs against the Government. The plant of the company's German subsidiary, which was leased to a German company at 6% annually, has now been turned back to the company and is in operation.—v. 25, p. 120.

STUTZ MOTOR. — Controversy Settled.—Entire output for 1920 is reported sold ahead. It seems that controversy over the stock has made the car more popular than ever. Agreement has been reached between Allan A. Ryan and the members of the protective committee, settling the Stutz matter. The settlement was made at $550 per share, including $425 for the old stock, $85 for the 20% stock dividend and $40 for premiums for 20 days at $2 a day.—v 25, p. 545.

WRIGLEY (WM.).—Earnings Statement.—Net profits for 1919, after Federal taxes, were $4,139,897, or $9.09 a share of common after deduction of dividends paid on the $1,500,000 preferred stock. Corporate surplus amounted to $6,281,658, or about $15 a share, the $11,085,375 outstanding common of $25 par value.

The New-Book Letter

In this column in each issue of THE MAGAZINE OF WALL STREET we give a list of all the new books on business, finance and investment that are published each week. All these titles are on sale by THE MAGAZINE OF WALL STREET.

NEW IDEALS IN THE PLANNING OF CITIES, TOWNS AND VILLAGES—John Nolen, Town and City Planner.

The purpose of this book is to present fundamental principles, and stimulate intelligent study of the problems of citizenship. Price $1.10 postpaid.

A HISTORY OF THE ATLANTIC COAST LINE RAILROAD—by Howard Douglas Dozier, Professor of Economics, University of Ga.

The story of the growth, development and consolidation into this railroad of more than a hundred short lines of independent roads, including a treatment at some length of the economic history of a portion of our country of which but little has been written. Competition between the roads and waterways and the transportation problems of today are illuminated in this detailed history. Price $2.10 postpaid.

GEOLOGY OF THE MID-CONTINENT OIL FIELDS.—by Dr. T. O. Bosworth.

In this volume Dr. Bosworth has brought together practically all the important details of geological formations which have a bearing upon the prospective supply of oil, being a statement of fact and detail, indispensable to men who undertake work in these fields and of great value to those who wish to study the financial and economic possibilities of the oil industry. Price $3.10 postpaid.

POCKET GUIDES TO PUBLIC SPEAKING—by Grenville Kleiser, formerly instructor in public speaking at Yale Divinity School, Yale University.

A series of ten volumes embodying all phases of public speaking, under the titles of: "Impromptu Speeches; How to Make Them," "How to Speak Without Notes," "Something to Say; How to Say It," "Successful Methods of Public Speaking," "Model Speeches for Practice," "The Training of a Public Speaker," "How to Sell Through Speech," "Word-Power; How to Develop It," "Christ, the Master Speaker," and "Vital English for Speakers and Writers." Price $10 the set, $1 volume.

PROSPECTOR'S FIELD BOOK AND GUIDE—by H. S. Osborn.

This is the ninth thoroughly revised edition of this book. Published in response to the intense demand for a book of this kind in the past five years, during which time many of those in the field found that they had to seek ores with which they were unfamiliar, and no text-book was available that covered all of these subjects in concise manner. Price $3.10 postpaid.